SECURITIZING SUBURBIA:
THE FINANCIALIZATION OF SINGLE-FAMILY RENTAL HOUSING AND THE NEED TO REDEFINE "RISK"

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ABSTRACT:

Since the foreclosure crisis, a handful of private-equity backed real estate companies have purchased over 200,000 single-family rental homes throughout the nation. Originally, these companies planned to hold the properties until the real estate market improved and then sell the homes to individual buyers. However, they soon realized that they could generate higher returns for investors by operating the units as rentals, issuing debt securities backed by the rental incomes, and selling equity securities (stocks) in the global exchanges. As a result, the previously "mom and pop" industry of single-family rental housing is now, for the first time, *financialized* within the global market and *institutionalized* by an emerging oligopoly of large-scale rental companies.

This research examines the rise of single-family rental housing as an asset class, with a particular focus on the construction, mitigation, and management of "risk." By analyzing investor disclosure documents, interviews with industry actors, quarterly earnings calls, and market reports, I show how the financial industry constructed a dominant discourse of financial risk focused on maximizing rental yields and home price appreciation, minimizing maintenance costs, and reducing political opposition. I argue that the ability of the financial industry to "self-regulate" access to capital through internally negotiated legal structures, disclosure requirements, and agreed upon norms of "trust", shifted the burden of risk from investors onto tenants, prospective homebuyers, and local communities.

To contest the financial industry's dominant risk discourse, I use quantitative, qualitative, and geospatial analyses to propose alternative risk assessment tools and strategies that redefine whose risks should be mitigated and who should do the mitigating. Using Los Angeles County as a case study, I found that middle-income neighborhoods with higher percentages of African-American residents and lower home values are disproportionately impacted by the increasing institutionalization and financialization of single-family rental housing. Additionally, tenants renting from the largest single-family rental companies face aggressive rent increases and greater maintenance responsibilities. Reframing "risk" not only better protects tenants and prospective homebuyers, it also interrogates the intersection of financial regulation and community development, recognizes the contradictions of planning communities without attempting to plan economies, and helps advance a more proactive vision of economic justice and economic democracy.

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TABLE OF CONTENTS

INTRODUCTION:

se·cu·ri·ty
noun
the state of being free from danger or threat.

se·cu·ri·ty
noun
a tradable financial asset.

In 2006, Paul Langley, a British professor of Economic Geography, wrote an article entitled "Securitizing Suburbia" in which he criticized economic geographers and economic sociologists for ignoring the potentially revolutionary impact of mortgage-backed securities. In the article, Langley argued that the rapid growth of securitized mortgage debt (previously overlooked by most scholars) constituted a fundamental shift in the economy, a realignment of the "subjectivity" of suburban borrowers, and an increase in the "governmentality" of markets. He went on to say that the rhetoric of mortgage backed securities as a technical and rational development driven by the "structural logics" of the financial system depoliticizes and decontextualizes the financial tool from the relationships of power and positionality that it produces (Langley 2006).

Two years later, as millions of homeowners found themselves underwater on their mortgages, as stock markets plummeted, and as the federal government approved a trillion-dollar bank "bailout", mortgage backed securities were depoliticized no more. In fact, financial markets and the securitization of subprime loans became *the* political issue of the time - inspiring new federal, state, and local policies ranging from responsible banking ordinances to Dodd Frank financial reform. Yet while global attention focused on subprime mortgages issued by a few major banks, a new set of financial investors, including some of the largest private equity firms in the world, quietly entered the U.S. housing market. These private equity firms created Real Estate Investment Trusts (REITs) like Invitation Homes and Colony Starwood Homes that acquired hundreds of thousands of foreclosed homes and distressed mortgages. The newly-formed REITs then issued debt securities backed by the home's rental incomes and now issue equity securities (stocks) in the global stock exchanges. Through the sale of stocks and bonds, an emerging oligarchy of institutionalized landlords have, for the first time in American history, integrated single-family rental housing into global capital markets.

As the New York Times describes, the rising importance of global finance in the single-family rental market is one of the most consequential transformations of the post-crisis American financial landscape (M. Goldstein, Abrams, and Protess 2016). The creation of single-family rental housing as an institutional asset class not only represents a novel way to "securitize suburbia", it further thrusts housing into the volatile and disciplining throws of "the market". As discussed in this report, the financialization of single-family rental homes creates new risks of market monopolization, increased housing unaffordability and instability, and new patterns of selective investment and divestment. Furthermore, as urban geographer Desiree Fields describes, the changes to the single-family rental housing market represent a fundamental change in the social relations in which the homes were previously embedded (Fields, Kohli, and Schafran 2016). Yet much like mortgage securitization circa 2006, single-family rental securitization (both in the debt and equities market) is assumed to be a depoliticized, technocratic financial process that should be left for the industry itself to regulate and monitor. The institutionalization and financialization of "market-rate" housing is thus perceived to be beyond the scope of housing policy or housing policy makers.

Due to the perceived separation between the "the economy and financial markets" and "community development and affordable housing", the financial industry was able to self-define and self-regulate the risks associated with the institutionalization and financialization of single-family rental housing. Rather than reflect democratic deliberation based on a national vision of housing policy, the process of

financializing single-family rental housing depended on industry negotiations to construct "investor trust" through promising and modeling reliable and appreciating financial returns. This process constructed a dominant discourse of financial risk and hazard that centers on protecting investor losses at all costs and narrowly conceives of financial industry actors as the only legitimate assessors, managers, and arbitrators of potential market hazards. Additionally, it encourages single-family rental companies to shift risk from investors onto tenants, prospective homebuyers and local communities.

This thesis aims to politicize the securitization of single-family rental housing by examining how the dominant discourse of financial risk allowed and encouraged single-family rental companies to transfer market hazards onto the most vulnerable. This project also aims to contest the dominant discourse of risk by modeling alternative hazard assessment and mitigation tools and strategies. In doing so, I hope to not only illustrate the absurdity of relying on "self-regulating" financial industries to determine national housing policies and priorities, but also to suggest a practical way of challenging the idea that "markets" and the "economy" exist beyond the purview of politics and societal norms of fairness, equity, and economic justice. Developing both a critical analysis of the financialized housing markets and piloting new assessment tools to redefine risk, integrates the seemingly disparate discourses of community development and financial regulation and empowers local communities to better protect their residents through public policy and land use.

THE RESEARCH IMPERATIVE:

While several advocacy groups and progressive think tanks have issued reports raising concerns about the increased dominance of "Wall Street Landlords", there has been very little academic or theoretical research on the emergence of single-family rental financialization or its implications for the political economy of housing. Financialization refers to the growing importance of financial motives, financial markets, financial actors, and financial institutions in the economy (Epstein 2005: 3) and is often analyzed as the percentage of profits earned from the financial sector relative to the productive economy (Krippner 2011). The financialization of housing, through securitization and the creation of Real Estate Investment Trusts (REITs), has enabled residential real estate to become a "liquid commodity" that can be traded in global financial markets. As a result, housing now accounts for nearly $163 trillion and nearly half of the total value of *all* global financial assets (Farha 2017).

Manuel Aalbers, who recently wrote a book on the Financialization of Housing, argues that despite the role of housing in financial markets, housing has remained under-researched and undertheorized by financialization scholars (Aalbers 2016). Since the foreclosure crisis, more research has examined housing policy's connection to global financialization, however, most of the research focuses on residential mortgage-backed securities (Goldstein and Fligstein 2010; Aalbers 2008) and the construction of mortgage borrowers as "financial subjects" (French, Leyshon, and Thomas Wainwright 2008). Rather than focus directly on housing or any one sector of the economy, financialization scholars have primarily analyzed the growth of the finance economy by studying macroeconomic policy decisions or the impact of finance on individual households or firms. At the macroeconomic level, researchers study how changes in interest rates, the shift from the gold standard, and the repeal of financial regulation like the Volkner Rule impacts market volatility, international relations, and income inequality (Epstein 2005; Krippner 2011; Van Arnum and Naples 2013; Lin and Tomaskovic-Devey 2013). At the household and firm level, research primarily focuses on new forms of subjectivity, governmentality, and constructions of financial citizenship (Cutler and Waine, 2001; Langley, 2006, Aitken, 2007). While using the nation-state, firm/corporation, and household/individual as the three primary scales of analysis exposes many of financialization's emerging forms, it obscures the impact of finance and capital markets on local community development, regional housing markets, and municipal politics.

The field of urban planning typically focuses more on political and economic trends impacting cities, communities, and neighborhoods; however, within urban planning literature, very little research

focuses on financialization. Despite the fact that financialization has transformed housing, local economic development, and even municipal finance, urban planning literature has largely failed to integrate macroeconomic trends in finance with micro-level community impacts such as gentrification, displacement, housing unaffordability, or disparities in infrastructure investment. The analytic disconnect between local development and national economic policies, may be a result of urban planning's often narrow concern with "land use" and neglect of larger issues of property and property ownership. As geographer Nick Bloomley argues, planners' preoccupation with the utilitarian question of "Where do things belong?" misses the underlying issue of distributive justice, "To whom do things belong?" (Blomley 2016). He argues that planners cannot attempt to shape and improve communities without explicitly confronting the definitions, rights, and distribution of property. Bloomley's critique of planning as overlooking the importance of property ownership, may explain why financialization, which has revolutionized property ownership through the creation of new financial tools like securitization and REITs, has received so little analytic attention.

Within urban planning, the subfield of community development, which is more concerned with anti-poverty programs and affordable housing, has historically paid greater attention to issues of capital markets and property ownership. However, because modern-day community development largely resulted as a response to redlining, underinvestment, and neighborhood blight, the literature in the field tends to portray capital as scarce and unjustly distributed, rather than extractive or potentially predatory. As DeFillips and Saegert describe, "Community development occurs when the conditions of surviving and thriving in a place are not being supplied by capital. Thus community development emerges in the context of the current limitations of the capitalist political economy to fulfill the needs and desires of the community" (DeFilippis and Saegert 2012). Through a decentralized network of community development financial institutions (CDFIs), financial intermediaries, non-profit organizations, banks, and government programs, "the work of community development", according to DeFilippis and Seagert, is to "find the tools, the strategies, and the institutional arrangements to maximize a weak resource base" and "find ways to gain access to the far greater resources, opportunities and power that lie outside the geographic community" (DeFilippis and Saegert 2012). While this theory of community development has helped direct more investment into historically marginalized neighborhoods, it has also led to a greater integration of homes into financial markets through programs like the Low-Income Housing Tax Credit (LIHTC) and the creation of Fannie Mae and Freddie Mac. Increased gentrification, the rise of subprime lending, and most recently, the financialization and institutionalization of single-family rental housing, all question the utility of community development theory and practice that continues to view capital only as a scarce resource in need of constant attraction and continued retention.

In viewing capital as a scarce commodity in need of government incentives, community development has adopted what Jan Aart Scholte describes as a "social-market reformist" approach to capital markets that aims to "correct market imperfections" by using the market to reduce poverty, increase retirement savings, incentivize affordable housing, and spur environmental and infrastructure investments (Scholte 2013). Scholte argues that a "social-market reformist" approach limits the ability of civil society to meaningfully influence financial regulation and restricts the ability of advocates to think beyond the neoliberal logic of a "free market". He notes that while civil society has successfully launched large scale and effective advocacy campaigns related to the environment, health, human rights, and poverty, citizen mobilization directed at global financial markets has been either entirely absent or sporadic and ineffective. As various research studies have concluded, in the absence of civil society advocacy, capital market regulation becomes a tool of the business elite rather than a democratic space to advance distributive justice and environmental sustainability (Scholte 2013; Pagliari and Young 2016), and as Helmut Anheier warns, "unless civil society fills the normative void [in the financial sector] and moves beyond the functional rationality of a Weberian normative minimum, it will remain easy pray to moral hazard" (Anheier 2014). In other words, unless civil society (and as I argue the community development sector) moves beyond a "social-market reformist" approach and begins to see financial governance as part of a broader strategy for social and economic justice, financial markets will continue to serve the interest of a few at the cost of many.

Greater civic oversight and involvement in financial regulation and financial markets is particularly important in regards to housing. Unlike most commodified assets, residential housing is a basic need and the further financialization of housing not only increases inequality, but also jeopardizes the ability of people to live stable and dignified lives. As a recent report by the UN Special Rapporteur to Housing reports:

> "The financialization of housing has dramatically altered the relationship of States to the housing sector... Rather than being held accountable to residents and their need for housing, States' housing policies have often become accountable to financial institutions and seem to pander to the confidence of global credit markets and the preferences of wealthy private investors. Given the predominance of housing-related credit in many economies, domestic housing policy becomes intertwined with the priorities and strategies of central banks and international financial institutions, which are themselves rarely held accountable... seem generally remote from stakeholder engagement...and have their own rules of procedure".

The UN report argues that States must "redefine their relationships with private investors and international financial institutions, and reform the governance of financial markets so that, rather than treating housing as a commodity ...for the accumulation of wealth. States must reclaim housing as a social good, and thus ensure the human right to a place to live in security and dignity" (Farha 2017). While the report primarily focuses on the role of national governance, local community development and urban planning can also play a vital role in advancing the right to housing within an increasingly financialized economy.

By developing alternative discursive analyses that expose the impact of financial regulation in both obstructing and advancing societal goals of equity and justice, the field of community development can better recognize the importance of financial governance within the broader movement to democratize urban planning and policy making. The construction of this alternative discourse has already begun, although it is still marginal in both theory and practice. Since the foreclosure crisis there has been an emergence of critical literature questioning the impact of global financial markets on neighborhood development. As Kathy Newman describes, "For decades community activists fought to increase access to capital for disinvested neighborhoods... Now community activists question whether communities have access to capital or capital has access to them" (Newman 2009). Additionally, emerging scholarship and advocacy has examined the impact of global financial markets on affordable rental housing in New York (Fields and Uffer 2014), tax increment financing in Chicago (Weber 2002), and municipal bond financing in Los Angeles and Detroit (Bhatti 2014). Outside of academia, groups like Right to the City, Occupy Wall Street, the Center for Popular Democracy, and Alliance of Californians for Community Empowerment (ACCE) have questioned the financialization of housing and municipal services and campaigned for community development investment based on local wealth creation and the human right to housing. These groups have been among the only organized opposition to the financialization and institutionalization of single-family rental housing and have protested and lobbied against Blackstone, Colony Starwood, and other large-scale rental companies. My research hopes to build upon this advocacy and advance the alternative discourse emerging within the community development field.

To do so, my research situates an alternative discourse of democratized financial regulation within a broader political economy framework. Political economy, unlike mainstream economics, analyzes "the economy within its social and political context rather than seeing it as a separate entity driven by its own set of rules based on individual self-interest" (MacKinnon and Cumbers 2007, 14). Analyzing the rise of single-family rental housing within a political economy framework allows for a reconceptualization of housing and real estate markets not as isolated from a societal context, but rather as always embedded within broader political and economic structures, norms, and frameworks (Aalbers 2016). As Aalbers argues, "Housing plays such a vital role in actually existing political economies that it is no longer justifiable if it ever was- for political economists to cede housing analysis either to economist who ignore or reproduce the importance of power, politics, and the state, or to a separate field of housing/social policy where the wider political economy is equally invisible" (Aalbers 2016: 33). Aalbers calls on researchers to examine how "housing and the built environment function as stores of

wealth" and to examine "the politics, geography and consequences of the ability of cities to absorb massive global savings into the urban environment" (Aalbers 2016; 96). In approaching housing finance from a political economy perspective, community development professionals and researchers can move beyond a "social-market reformist" approach and begin to politicize finance and financial tools as part of neighborhood, state, national, and international campaigns for justice and equity.

In order to examine the existing political economy of single-family rental housing, discuss the implications of an undemocratic financial governance structure, and propose alternative frameworks for financial regulation at a local level, this thesis centers around an analysis of "risk discourse" and the construction of "risk actors". By redefining which risks should be mitigated, by who, and for whom, I argue that advocates and local governments can not only shift a conversation, but materially improve the lives of tenants and local residents. As both Randy Martin and Ananya Roy argue, risk management is the means through which financialization reconfigures social affiliations in order to extract wealth (Roy 2012). The financialization of single-family rental housing will likely reconfigure the affiliations between tenants and landlords and extract wealth from renters for the benefit of a diffuse network of global investors. Yet I argue, an alternative vision of risk management could provide an opportunity for local and state governments to reconfigure their relationships with property owners and real estate companies to advance a broader vision of economic and social justice. In doing so, housing policy can begin to reconfigure its "market reformist" relationship with capital markets and community development can reassert its role within the broader economy. While this research focuses narrowly on single-family rental housing, I hope that the analytic structure and larger themes of the project will result in a broader discussion of the role of housing and community development in the new financialized economy.

An Overview of the Thesis Structure:

To better understand the history and existing political-economy of single-family rental housing, Chapter 1 begins by providing background on the rise of the new investable asset class. Chapter 2 deconstructs the idea that single-family rental housing emerged through the unregulated "free market" by detailing the integral role of federal policy on the financialization and institutionalization of the new asset class. Chapter 3 then discusses divergent theories of how financialization and institutionalization may affect local communities, tenants, and prospective homebuyers. Drawing upon interviews with the financial industry, analyses of financial reporting documents, and transcripts from quarterly earning calls, Chapter 4 then assesses and analyzes how the financial industry conceived of and mitigated against risk. The purpose of this chapter is to establish how the complexity of the debate described in Chapter 3 was, in practice, reduced to a simplistic risk calculous focused on maximizing investor profits and minimizing potential losses. Chapter 5 and 6, build upon this analysis to assess the implications of a dominant financial risk discourse on local housing markets, and particularly tenants and prospective homebuyers. Finally, in Chapter 7, I develop models of alternative risk assessments that housing advocates and federal, state, and local governments could use to contest the dominant risk discourse and reimagine financial market regulation. This chapter draws upon both quantitative and qualitative data, traditional housing metrics and "non-traditional" sources to provide an example of a risk narrative that reimagines financial markets as deeply embedded within the social, economic, and political relations of communities. The resulting analysis provides important implications for urban planning and policy making as discussed in Chapter 8.

Methodology:

Because the financialization of single-family rental housing is such an under researched phenomenon, this thesis draws upon a range of methods in order to tell the story of the process and perceived risks associated with the rise of the asset class. From December to March of this year, I conducted five interviews with financial industry analysts and rating agencies to understand why they think single-family rental housing suddenly became a viable financial investment and what risks they perceive in the market. I also interviewed representatives from two of the largest single-family rental companies to

discuss how they manage and mitigate market risk. Most interviewees chose to remain anonymous and asked not to be recorded. My analysis of the history of the asset class and the construction of risk integrates the findings of these interviews with information from market reports by investors and analysts, financial disclosure statements, audio recordings of industry conferences, and transcribed quarterly earnings calls.

In addition to industry interviews, I also spoke with three advocates working on a campaign targeting single-family rental housing, two academic researchers studying housing policy, and three public policy makers at both the state and federal level. While the advocacy organizations allowed me to use their names and direct quotes, the three federal and state policy makers (one of which is no longer working at the federal level) asked to remain anonymous given the political sensitivity of some of their comments. I also attended an in-person meeting of housing justice organizations that focused on single-family rental housing speculation. The findings from the interviews with advocates, academics, and policy makers are also integrated throughout this report and are complemented and substantiated with secondary sources including government documents, campaign materials, and news articles.

Finally, in developing an alternative risk and hazard assessment framework, I collected and analyzed original and secondary data. The analysis includes a survey I conducted of 100 tenants in Los Angeles County who are living in homes owned by the largest private equity firms. The survey collected basic demographic information about the tenants including race and income, and asked tenants if they experienced rent increases or maintenance concerns. To my knowledge, this is the largest survey of tenants renting from large single-family rental companies ever conducted, and in the process of collecting data, I visited over 300 total homes in 16 cities. The results of the survey are detailed in Chapter 7. Using publically available data, I also collected property level information and geospatial locations for all homes owned by the largest single-family rental companies - including Invitation Homes, Colony Starwood, American Homes 4 Rent, Silver Bay, Tricon, Home Partners of America, and Progress Residential. I used this data to analyze the geographic distributions of corporately owned single-family rental homes, correlate the distributions with socioeconomic demographics, and track sales and acquisition patterns over time. The resulting conclusions illustrate how challenging the traditional practice and discourse of financial risk assessment can result in new understandings of risk and hazard, new insights into who bears those risks and hazards, and new approaches for mitigation and continued assessment.

LIMITATIONS:

In order to tell the broader story about the rise of single-family rental housing as an asset class, this research overlooks important differences amongst various single-family rental companies. For example, Tricon American Homes has accepted more lower-income residents with Housing Choice Vouchers (Section 8), where as American Homes 4 Rent says that it only accepts tenants with incomes higher than $100,000 or a monthly income that is five-times the rental rate. These distinctions may impact how risk manifests and for whom. More comparative research is needed to better understand these potential differences.

Additionally, in focusing narrowly on single-family rental housing this thesis does not discuss similar trends in the financialization and institutionalization of multifamily housing. The largest financialized and institutionalized real estate companies primarily invest in multifamily units and large multifamily REITs control far more units than their single-family rental peers. Additional research on the specific risks and market constructions in multifamily housing would provide a complementary and comparative analysis for this study. As mentioned previously, the intention of this research is not to prove that the risks implicit in the financialization of single-family rental housing are entirely exceptional or unprecedented; rather my goal is to use the emergence of this particular sector of the market to question the perceived separation between financial governance and the field of housing and community development.

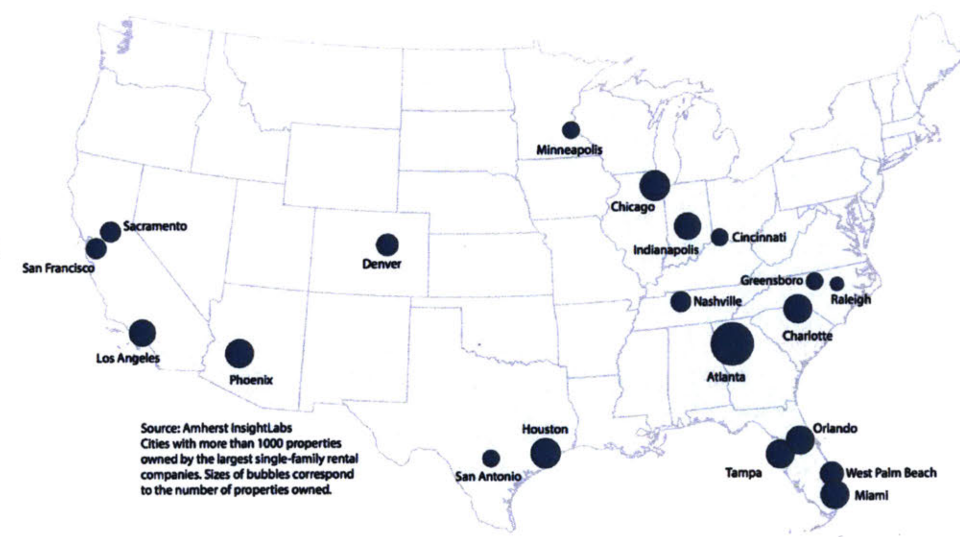
Chapter 1: The Rise of the Single-Family Rental Asset Class

Since 2013, real estate companies and financial investors have been marketing single-family rental housing as a new and emerging asset class. But single-family rental housing is nothing new. Individuals and small companies have purchased single-family homes to rent for decades. In fact, since the 1980s, the number of single-family rental housing units has exceeded 10 million homes and accounted for 30 to 35% of all rental units (Amherst Capital Management 2016). What is new, however, is the *financialization* and *institutionalization* of the asset class.

Through an influx of capital from private equity firms, the emergence of new publically-traded real estate companies and the creation of a new debt instrument designed specifically for single-family rentals, single-family rental housing is, for the first time, integrated into the global capital financial markets. What was once the domain of "mom-and-pop" owners seeking small but stable returns, has become a trendy investment for private equity firms, hedge funds, and other institutional investors. This chapter analyzes the three-fold way in which single-family rental housing has become integrated into the global financial markets, starting with an infusion of capital from private equity firms and other institutional investors, then discussing the rise of single-family rental backed securities, and finally examining the emergence of publically-traded REITs specializing in single-family rental housing.

The Influx of Global Capital

Map 1: Single-Family Rental Homes Owned by Large Single-Family Rental Companies



The rise in the single-family rental market, both in supply and demand, is a direct result of the foreclosure crisis. Between 2007 and 2011, over 8.2 million homes went into foreclosure, with nearly 700,000 held on banks' and government-sponsored enterprises' ("GSE") balance sheets at the peak of the crisis (GTIS Partners 2015). Recognizing a "market opportunity", private equity firms and other institutional investors funded new subsidiary companies (at the time called REO-to-Rental businesses) to acquire extremely discounted homes through auction, short sale, or the purchase of distressed loans. For example, Blackstone, the world's largest private equity firm created Invitation Homes in 2012 and spent over $10 billion amassing a portfolio of more than 48,000 homes, at times spending over $150 million a week. Similarly, Colony Capital, the world's third largest private equity firm, created Colony American Homes, the second largest single-family rental company, with $550 million in initial investment. "We recognized the unique opportunity created by the housing crisis and acted upon it in a bold way," John Cristie of Colony Starwood Homes described in a 2016 quarterly earnings call (Colony Starwood Homes 2016). Additionally, Alaska Permanent Fund, a public fund from state oil revenue, provided the first $250

million in investment for American Homes 4 Rent, which is now the third largest single-family rental company in the world (after Invitation Homes and Colony Starwood). Figure 1 on the right shows a list of companies and their initial investor or current majority owner.

Figure 1: Largest Single-Family Rental Companies

Company	Total Homes	Debt Securities	Publically Traded	Initial/ Majority Investor	Total Investment
Invitation Homes	48,431	Yes	Yes	Blackstone	$9.6 Billion
American Homes 4 Rent	48,038	Yes	Yes	Alaska Permanent Fund	$8.1 Billion
Colony Starwood Homes	32,272	Yes	Yes	Colony Financial	$7.7 Billion
Tricon (post Silver Bay merger)	17,249	Yes	No	Tricon Capital	$1.4 Billion
Progress Residential	17,333	Yes	No	Goldman Sachs	$3.1 Billion
Main Street Renewal (Amherst)	10,000	Yes	No	Amherst Capital	$1.25 Billion
Cerberus	5,700	No	No	Cerberus Capital Mgt Fund	$615 million
Altisource Residential	5,414	Yes	Yes	Altisource Asset Mgt Corp	$739 million
Home Partners of America	4,844	Yes	No	BlackRock and KKR	$1.5 Billion
HavenBrook Homes	3,917	No	No	Pacific Inv. Mgt Co	$600 million
StreetLane Homes	3,400	No	No	GTIS Partners and 643 Capital Mgt	$445 million
Total Homes	**196,598**		**Total Investment**		**$35 Billion**

Estimates based on Keefe Bruyette and Wood's Single Family Rental Primer, Invitation Homes' Prospectus, recent news articles for Colony Starwood merger, Tricon and Silver Bay Merger, and StreetLane Homes

Beginning in 2012, these companies developed new technologies such as proprietary software and algorithms to instantly bid on thousands of homes at auctions across the country. The software identified the homes with the greatest profit potential based on property assessment information, estimates of projected maintenance costs, and data on neighborhood characteristics (like local school quality, crime, proximity to transportation). As Tampa Bay Times journalist Drew Harwell writes, "The information helped certify, to the dollar, that each home's rent will more than cover its costs: Every home becomes a monitored asset, and every renter a revenue stream" (Harwell 2013). The algorithm allowed companies to identify "profitable investment opportunities" in areas where they knew nothing about the local conditions or rental markets. This effectively eliminated the need for human expertise or local knowledge and allowed companies to hire temporary workers to attend courthouse auctions and bid on the properties rated most highly by the app (Perlberg and Gittelsohn 2013a; Fields 2015).

Private-equity backed investors targeted markets with high rates of foreclosure, but also neighborhoods with newer housing, higher rates of employment, and strong rental demand. As a result, most of the financialized and institutionalized single-family rental housing is concentrated within a few neighborhoods in a dozen or so metro areas, primarily in the Sunbelt. Cities such as Sacramento, Los Angeles, Riverside, Phoenix, San Antonio, Houston, Tampa, Orlando, and Miami all have more than 1,000 properties owned by large institutional investors. Additionally, some Midwestern and Southern cities like Chicago, Indianapolis, Charlotte and Nashville also have significant investor activity. Atlanta, however, has by far the greatest concentration of homes owned by large institutional investors (see Map 1 on the next page).

Originally, investors planned to hold the properties until the market improved and then sell them to individual buyers. However, with rising rents and an increasing demand for rental housing from former homeowners, companies realized that they could easily capture over 10% annual returns (GTIS Partners 2015). All of the major companies have now invested in staff and technological infrastructure and most have internalized maintenance operations to manage their thousands of dispersed homes. Yet

in order to continue to acquire more properties and repay existing loans, the nascent single-family rental companies needed to find additional sources of debt and equity financing.

Commoditizing Debt

In October 2013, industry analysts, investors, and rating agencies created the first ever single-family rental backed security, which provided a critical new source of capital for the emerging single-family rental companies. The new financial tool—a hybrid of a residential mortgage-backed security and a commercial residential security—allows large real estate companies to essentially sell bonds backed by the future rent checks of thousands of single family homes. The bonds are converted into securities, grouped into tranches, and sold in international financial markets to multiple investors. The process of single-family rental securitization is similar to that of mortgage-backed securitization made famous by the 2008 financial crisis, however, instead of the securities depending on monthly mortgage payments, they rely on tenant's monthly rental checks. Securitization thus transforms rent payments from a "contractual obligation of customer to service provider, [to] the basis of a globally traded class of asset-backed securities" (Fields 2015: 16).

Securitization has become an integral part of the financial system for a number of reasons. First, borrowing from the capital markets is typically cheaper than borrowing from banks. Second, by borrowing today against an unforeseen future, companies are able to externalize the risk of future losses onto outside investors. And third, there is a growing market for the purchase of securities, particularly from institutional investors like insurance companies, mutual funds, and pension funds that are seeking to diversify their portfolios. Furthermore, securitization is not shown as debt on a company's balance sheet, thus allowing companies (particularly banks) to finesse their balance sheets into appearing more attractive to investors and regulators (Leyshon and Thrift 2007). The ability to issue single-family rental backed securities means that companies like Invitation Homes and Colony Starwood Homes can take on greater leverage. As the New York Times reported, with securitization, landlords could put as little as 25 percent of equity into their properties while borrowing the rest. Credit lines from banks, on the other hand, typically require upwards of 40 percent equity (Corkery 2014).

Invitation Homes issued the first single-family rental backed security for $500 million in 2013. Since then ten more companies have entered into the market, amounting to 37 securitizations totaling $44 billion with $16.4 billion still outstanding[1]. In total, the rental incomes of over 129,000[2] single-family homes is now securitized and analysts from Keefe, Bruyette & Woods estimate that single-family rental securitization could grow into a $1.5 trillion market over the next six years (Curry 2014). While $44 billion is greater than the annual GDP of 105 countries including Jordan, Ghana, and Slovenia, It is a drop in the bucket compared with the global financial housing market. By comparison, there have been over $11.7 trillion in total securitizations from 2013 to 2016, $9.5 trillion of which were mortgage-backed securities issued by Fannie Mae, Freddie Mac, or Ginnie Mae and $544 million of which were non-agency commercial mortgage backed securities[3]. Although single-family rental securitization will likely remain a fractional share of the total housing debt market, the novelty of the asset class makes for an interesting case study that can provide insight into the financialization of housing more broadly.

The majority (over 80%) of the 37 securitizations to date were issued by single borrowers operating a REO-to-Rental model— a model in which a company purchases homes at a discount, rents them to tenants, and pays for the maintenance and operating costs associated with the homes. However, there have also been seven multi-borrower issuances and one issuance by Home Partners of America, a company which operates a lease-to-own model. Multi-borrower securitizations represent a new model for the financialization of single-family homes whereby existing companies develop financing arms, provide

[1] Outstanding balance as of December 2016 based on data from the Securities Industry and Financial Markets Association
[2] Based on data from "The Emerging Economic Geography of Single-Family Rental Securitization" by Fields, Kohli, and Schafran, combined with securitization documents for the fourth quarter of 2015 and 2016
[3] Based on 2016 data from the Securities Industry and Financial Markets Association (SIFMA)

loans for smaller landlords, and then bundle and securitize the loans. For example, Colony Capital created Colony American Finance, Cerberus Capital Management created FirstKey Lending, and Blackstone developed B2RFinance (which now appears to have merged with Blackstone's other finance company Finance of America). This industry is still beginning to develop and there is still very little public information. However, as of September 2016, Colony American Finance reported exceeding $2 billion in loan originations with an average loan of approximately $3 million (Colony American Finance 2016). B2R, on the other hand, says it targets smaller investors who may not have access to traditional lending products. "Where we saw a big need is for folks who want to invest but perhaps may have four-plus properties. When the banks or GSE look at their debt-to-income (ratio), they [may] not be able to qualify but we're different than everyone else (because) we underwrite the property, not the borrower," Fiona Simmons, Senior Vice President of B2R said (Williams 2016). Smaller landlords currently own more than 14 million homes and their ability to access the single-family rental securitization market will likely lead to a massive expansion of commoditized debt and further the integration of single-family rental housing into the capital markets.

Additionally, Home Partners of America (HPA), funded by investment banking giant, Blackrock, has issued securities backed by properties using a "lease with right to purchase" model, which provides renters with the option to purchase their current rental home. Many investors, regulators, and consumer advocates are worried that this new lending product may be a newly branded form of predatory lending. While a report by Moody's extols HPA's "rent-to-own" model as the future of homeownership and a promising opportunity for investors, Kroll Bond Rating Agency (KBRA) expressed concern that the purchase options may violate consumer protection and predatory lending laws which could lead to greater investor risk (Lane 2016). Whether through single-issuance or multi-issuance, traditional rental or lease to purchase, securitization will likely continue to revolutionize single-family rentals from a mom-and-pop business into a globally traded financial asset. Yet while securitization provides cheaper access to debt, it does not provide access to equity investment, which is a vital resource for single-family rental companies looking to expand.

Going Public

In order to access the equities market, single-family rental companies work with an investment bank to create an initial public trading offering that allows investors to purchase shares of stock. Of the ten largest single-family rental companies, four are publically traded, including the top three: Invitation Homes, Colony Starwood Homes, and American Homes 4 Rent. In December 2012, Silver Bay Realty Trust was the first single-family operator to go public, raising $245 million with its initial public offering (Kennedy 2012). American Homes 4 Rent followed in August 2013, as did Colony Capital in January 2016, In February of 2017, Invitation Homes issued the largest public offering, raising over $1.54 billion (Reuters 2017). All four stocks have grown steadily in the last year, with Invitation Homes and Silver Bay now trading around $21 a share, American Homes 4 Rent around $22, and Colony Starwood at $34.

Although public issuances have diversified single-family rental companies' ownership structures, in several cases, the original private equity backers remain the majority shareholder. Invitation Homes, for example, is considered a "controlled company" because The Blackstone Group owns a majority of voting shares and can make decisions about the company that may negatively impact other shareholders. The dominance of private equity investment, however, may change over time. Thomas Barrack (CEO of Colony Capital) sold nearly 4,000,000 shares of Colony Starwood Homes stock in March of 2017 and in September of 2016, Alaska Permeant Fund sold 43 million shares of American Homes 4 Rent's stock (DeMarban 2016). However, despite the sales, both Colony Capital and Alaska Permeant Fund still own a significant percentage of their respective companies.

Thus the three stages of financialization: private equity investment, securitization, and public issuance are not sequentially separate, but rather mutually reinforcing. This is further evidenced by the

interconnection between debt and equity financing. The ability of single-family rental companies to access cheap debt in the securities market, increases equity investor's confidence in the company and drives up the price of shares. Additionally, cheaper access to debt means that companies can issue less stock thereby maintaining the value of the shares they have already issued. And finally, nearly all of the publically-traded companies stated in their prospectuses that they will use the capital raised in the equities market to pay the debt borrowed in the securities market. Using capital from equity investors to pay debt investors, is perhaps the epitome of financialization, since finance becomes an end in and of itself, rather than a way of expanding the productive economy.

Accounting for the Rise

What explains the sudden interest from both debt and equity investors in transforming the previously mom-and-pop industry of single-family rental housing into a globally traded market? Based on interviews with several industry analysts and investment professionals, investors believe that the rise of the industry is a result of changes in household formation and consumer preferences as well as increased demand due to the foreclosure crisis and tightened mortgage lending standards. Interviewees regularly mentioned that millennials are choosing to rent more and are "diversifying their assets" away from housing and investor reports cite statistics showing the rise of rental housing and the decrease in homeownership. For example, according to Invitation Home's prospectus, between 2006 and 2016, single-family rental households grew by 35% from 11 million to 15 million and the homeownership rate fell from a high of 69.2% in late 2004 to 63.5% in 2016 (Invitation Homes Inc 2017a). As discussed more in Chapter 4, single-family rental companies claim that given the changing demographics and decreased supply of affordable homeownership opportunities, rental demand will only increase over time.

Industry analysts also claim that the increasing consolidation of firms through mergers and acquisitions has also contributed to investor confidence in the market. According to industry reports, since 2013, there have been at least five major mergers and acquisitions (Rahmani, Tomasello, and Jones 2016). For example, in 2016, Colony American Homes merged with Starwood Waypoint and in 2015 American Homes 4 Rent acquired American Residential Properties. Most recently, on February 28, 2017, Tricon acquired Silver Bay Realty, a deal estimated at $1.4 billion (Lane 2017). Mergers and acquisitions allow single-family rental companies to develop greater "economies of scale" which reduces maintenance costs and increases profit margins for investors (discussed more in Chapter 4).

An Alternative Origin Story:

Yet, while investors and analysts attribute the growing interest in single-family rentals to shifts in demand and greater economies of scale, this perspective provides an incomplete and decontextualized accounting of the rise of the asset class. The sudden financialization and institutionalization of single-family rentals is not an isolated phenomenon; rather it is reflective of broader macroeconomic shifts and decades of political decision-making. Drawing on financialization and political economy theory, the remainder of this chapter analyzes the history of the emerging asset class within the context of a financialized economy.

As discussed on page 7, financialization is a broad term to describe the increasing dominance of financial actors and tools, and is reflective of a 'pattern of accumulation in which profit-making occurs increasingly through financial channels rather than through trade and commodity production (Aalbers 2008: 151). The rise of single-family rental housing as an asset class is perhaps the epitome of financialization. After the financial meltdown, financial companies called private equity firms purchased financial products (distressed mortgages) and financial assets (foreclosed homes) in order to generate financial gains for investors through the global financial debt and equity markets. These investment companies never produced new units and spent very little money on rehabilitation. For example, in the as 2016 quarterly earning's call, an executive from Colony Starwood Homes bragged to

investors that the company spends just 5% of revenues on property management (Colony Starwood Homes 2016). Thus, the vast majority of the wealth and profits generated by these firms likely derives from financialization itself, not the use of financialization to facilitate production.

Additionally, investors first began investing in single-family rental homes because in 2010 there were very few profitable investment opportunities. During the recession, consumer demand was at an all time low, unemployment spiked, and production was at a standstill, thus investors had to look for a new place to "park" their money beyond the productive economy. This perpetual search for profits in the face of declining production and economic stagnation leads to what David Harvey describes as "capital switching". Harvey describes the circulation of capital as existing in three circuits: the primary circuit comprised of production, manufacturing, and industrial investments, the secondary circuit which includes the built environment (both for consumption, like housing, and production, like infrastructure), and the tertiary circuit comprised of services like education, health care, and technology. Harvey argues that capital will flow into the built environment (the second circuit) as a result of new financial instruments (like securitization) or because of a crisis in the sphere of production (like the recession in 2009). However, Harvey argues that the realization of profits through the built environment takes time since investors have to make an initial investment in construction before a project can generate profits. This lag between the initial investment and the eventual payoffs makes real estate a traditionally "lumpy" industry with high initial costs and gradual returns over time (Gotham 2009).

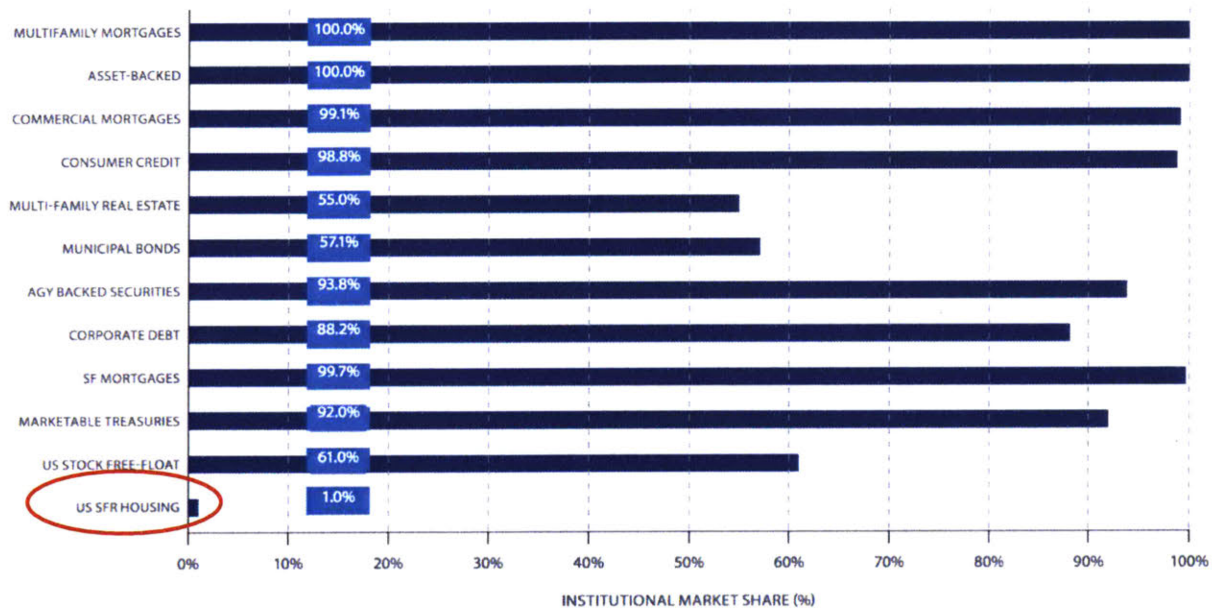
Since the single-family rental housing market required little to no investment in production, it provided the ideal place within the second circuit for investors to channel their money. Furthermore, because the securities issued by firms had only two to three year terms (with optional extensions) investors could quickly shift their capital back into the first circuit as the economy rebounded. If the productive economy and housing market recovered substantially, the companies themselves could dissolve, sell all their homes for a high return, and fold back into their private equity giants with very little cost. Single-family rental housing investors call this the "embedded optionality" of the asset class. Thus the single-family rental housing market, unlike most real estate markets, provided an assurance against the kind of "lumpy" investment characterized by Harvey and helped cities (and suburbs) became the "new global reserve currency" (Aalbers 2016). As one industry report describes: "SFR is a defensive strategy that remains resilient in a slow economy... [single family rentals] provide a hedged bet on both the US residential recovery and the overall US economy" (GTIS Partners 2015).

Single-family rental housing also provided investors with a reliable, predictable income stream, which as Leyshon and Thrift argue, is the financialization equivalent of striking gold. According to Leyshon and Thrift, investors are in constant search of reliable, predictable income streams that they can use to back securitizations and mathematically model to ensure investor confidence. For example, Ananya Roy details how the securitization of microfinance loans in the global south was considered a recession proof financial strategy to integrate billions of people at the bottom of the "financial pyramid" into global financial markets. Microfinance loans became a target for large financial institutions because of the belief that "the poor always pay back" (Roy 2012). Similarly, during a panel discussion at a single-family rental industry conference in 2016, an industry analyst explained why the rental real estate market is so attractive to investors even in the face of high underemployment, stagnant wages, and ever increasing rents. "Practically people have to live somewhere....credit is still tight, new homeownership is tight, where are these families going to live? They are going to rent and they are going to continue to rent until there is a loosening in the credit market or until real wages go up" (IMN 2016). Leshon and Thrift refer to these everyday sources of income from renters, homeowners, and small businesses as "the bread- and butter" of the global financial system's securitization machine. It is only through the "quotidian economic life" or the "ordinary economy" that the billion dollar capital market and its complex sets of financially engineered products and secondary markets can exist (Leyshon and Thrift 2007). For investors, housing provides the optimal everyday income "stream" because it yields both income (rents) and it can be used as collateral for sale if needed. Additionally, like the kind of "bottom billion capitalism" described by

Roy, rental housing securitization allows investors to profit from inequality by financializing the poor and the asset-less.

The single-family rental market was also particularly attractive because unlike the rest of the housing market, it was not yet controlled by institutional investors. The U.S. housing market is a $35 trillion industry, and the vast majority of housing debt and equity is already traded in the capital markets. Thus single-family rental housing represented "the last frontier' for the financialization of housing and one of the last opportunities to capitalize on the largest sector of the global economy. As shown in Figure 2, the institutional market share of single-family rental housing in the United State (US SFR Housing) is just 1%, compared to 100% for multifamily mortgages, 99% for commercial mortgages, 97% for single-family mortgages, and 55% for multifamily real estate[4] (Amherst Capital Management 2016).

Figure 2: Percent Institutional Ownership by Asset Class



Source: Estimated by Amherst Capital based on Federal Reserve Z.1 release as of June 9 2016; and MSCI, SIFMA data; and data from the National Multi-family Housing Council as of Q2 2016.

Thirty years ago, the institutional market share of multifamily housing was nearly as low as single-family rental housing today. However, beginning in the early 1990s, Fannie Mae and Freddie Mac began purchasing and securitizing multifamily mortgage loans and Congress authorized new tax legislation to expand investment in Real Estate Investment Trusts (Nothaft and Freund 2003). Based on several interview responses, those within the single-family rental industry expect that similarly favorable changes to federal regulation will spur greater levels of investment in single-family rental housing as well. The next chapter discusses how federal regulation and housing policy have already played an instrumental role in the development of single-family rental housing as an investable asset class.

[4] Institutional market share refers to the percent of the total value of the asset class owned by institutional investors.

CHAPTER 2: THE INVISIBLE HAND OF FEDERAL POLICY

The creation of the single-family rental asset class would not have been possible without explicit government support. Through an REO-to-rental pilot program, sales of distressed loans, and seemingly minor changes to the tax and regulatory environment, the federal government played an active and central role in permitting and encouraging the rise of single-family rental housing as an institutionalized and financialized investment vehicle. Understanding the government's role in the creation of the single-family rental industry, provides the historical justification for why the public sector should continue regulating, overseeing, and monitoring the unfolding future of institutionalized and financialized single-family rentals. Furthermore, acknowledging the embeddedness of housing markets with financial markets and financial markets with housing policy dispels the notion that community development is a disparate, unrelated field from capital market regulation and financial policy.

PILOTING THE FINANCIALIZED ASCENSION

In 2012, The Federal Housing Finance Agency (FHFA) in conjunction with other federal agencies created the original REO-to-Rental market through a pilot program that allowed investors to buy pools of foreclosed properties from the government if the investors agreed to maintain the housing as rental units. The initiative sold 2,500 properties located throughout Chicago, Riverside, Los Angeles, Atlanta, Las Vegas, Phoenix, and various cities in Florida, which as shown in Chapter 1, are still the areas with the greatest large-scale investor ownership. According to Meg Burns, FHFA's Associate Director for Housing and Regulatory Policy, the program was designed to "gauge investor appetite" for scatter-site single-family housing and to determine whether bulk sales could "stimulate housing markets" by "attracting large, well-capitalized investors" (Burns 2012). By creating a business model and actively seeking private-industry partners, the REO Pilot Initiative helped legitimize single-family rentals as a space for institutional investment and provided an initial portfolio for the emerging private-equity backed companies (Fields 2015)

Leaders of the Federal Reserve also actively encouraged private capital to enter the single-family rental space after the foreclosure crisis. For example, in his speech at the 2012 National Association of Homebuilders International, then Chairman Ben Bernanke told investors that it "makes sense" to turn foreclosed homes into rentals because the cash flows from renting properties would produce greater financial returns than just selling the homes for a marginal gain. Investors could "come out ahead by renting, rather than selling... particularly in hot rental markets", he said, citing research conducted by Federal Reserve staff (Bernanke 2012).

DISCARDING THE DISTRESSED

The federal government has also facilitated the financialization of single-family rentals by creating a market for private equity firms to purchase distressed mortgage loans from Fannie Mae, Freddie Mac, and HUD. In 2010, HUD launched the Single-Family Loan Auction Program (later renamed the Distressed Asset Stabilization Program) to sell FHA-insured, severely delinquent mortgages to private investors through a competitive auction. As of January 2016, FHA sold over 105,500 mortgage loans and transferred over $17.9 billion in unpaid balances at a discount rate of 25 to 50% of prevailing market prices[5]. According to HUD's post-sales reporting documents, large-scale private equity firms purchased over 98% of these distressed properties. For example, Bayview Asset Management (a Blackstone affiliate) bought nearly 29,500 home loans, 30% of total sales. If the distressed loans

[5] All statistics based on HUD's January 22, 2016 Report to the Commissioner on Post-Sale Reporting FHA Single Family Loan Sale Program. http://portal.hud.gov/hudportal/documents/huddoc?id=rprt.12616.pdf

resulted in foreclosure or short sale, rental companies like Invitation Homes (Blackstone's other affiliate) could easily purchase the properties from their private-equity colleagues. According to HUD, less than 11% of the distressed mortgages resulted in a performing loan modification. Thus, the majority of the housing stock ended in either a foreclosure (34%), short sale (9%), deed-in-lieu (7%) or remained unresolved (36%)[6]. The fact that HUD and FHA auctioned off billions of dollars of discounted loans to Wall Street firms, while simultaneously refusing to require principal reductions or the right of first refusal to non-profit developers, led activists and politicians to criticize the auction program as little more than a government-subsidized transfer of wealth to the 1% (Sen 2015).

In June of 2016, after intensive criticism from Senator Elizabeth Warren, Representative Mike Capuano, the US Conference of Mayors, and hundreds of community groups, FHA announced new regulation that required investors to "consider" principal reduction first", limited interest rate increases, prohibited investors from abandoning low-value properties, and created new opportunities for non-profit and government buyers. Despite the changes, of the over 10,000 loans sold in 2016, only 2% were sold to a non-profit investor and 60% were sold to Bayview[7]. Thus government auctions of distressed loans and foreclosed properties continue to provide large corporate firms with a steady supply of homes for their REO-to-Rental enterprises.

The federal government justified the distressed mortgage sales by claiming that the private industry would be able to maximize efficiency, provide a "floor" for housing prices, and lessen the financial difficulties facing FHA and the GSEs. During an interview, a former FHA staff person, who wished to remain anonymous, told me that there "was no other viable alternative" when asked about the program. According to the staff person, at the time, the FHA was losing money daily and selling severely distressed loans was a way to stop the hemorrhage of fiscal losses. "Non-profits wanted loans below value and HUD was not in a financial position to do that", the former official said. These comments suggest conflicts between the federal government's financial interest as the insurer and mortgage holder and the public and policy interests in promoting stable communities and affordable housing. According to the former staff person, by transferring homes to private equity firms, the government maintained some regulatory power to push for, what was assumed at the time, would be a better outcome for communities and former homeowners. The sales required investors to hold the properties for four years in order to guard against "buying and flipping", a common investor practice at the time. "We did as good of a job as we could have done. [Without the program] the homes would have been foreclosed and sold as vacant REOs" the former FHA staff person concluded.

The notion that well-intentioned government officials use the financial markets as a response to economic and political crisis is consistent with an analysis of financialization developed by Greta Krippner, a historical sociologist who has written extensively about the American economy since the 1950s. Krippner argues that the financialization of the American economy was not an intentional, deliberate strategy to shift power and capital to financial elites (as Harvey and other Marxist scholars might argue), but rather a result of "improvised solutions" by the federal government to, as the former FHA staffer said, "do the best they could". According to Krippner, "the turn to finance" in the 1960s and 70s allowed the federal government to avoid economic and political dilemmas by providing the same standard of living for the middle-class despite stagnant wages and decreasing production. While financialization ultimately created a period of financial manias, panics, and crashes three decades later, the intention of policy makers was to promote economic and political stability. Using Krippners analysis, the sale of distressed assets and the REO-to-Rental program can be viewed as a way for policymakers to take a middle-road by providing moderate protections for former homeowners and

[6] All statistics based on HUD's January 22, 2016 Report to the Commissioner on Post-Sale Reporting FHA Single Family Loan Sale Program. http://portal.hud.gov/hudportal/documents/huddoc?id=rprt.12616.pdf
[7] Based on reported data from the Single Family Loan Sales Results Summary http://portal.hud.gov/hudportal/documents/huddoc?id=sfls16.pdf

communities while reducing the role of government and transferring risk to the private sector. Policymakers likely did not know at the time, that their decisions would help create a new financial market for rental housing and bolster a new oligopoly of single-family rental companies. As a recent article in the New York Times describes, "rather than enact sweeping changes to housing policy, the government largely handed the problems to a new set of companies" in large part because it was the easiest approach (M. Goldstein, Abrams, and Protess 2016).

Backing the Billionaires

Yet Krippner's analysis does not help explain why the federal government has continually provided direct and deliberate support for the financialization and institutionalization of single-family rental housing even now that home prices have rebounded and foreclosures have stabilized. In 2017, Invitation Homes disclosed in its prospectus that the company had received a 10-year $1 billion loan from Wells Fargo and that Fannie Mae would securitize and back the principal and interest of the loan. Essentially Fannie Mae had agreed to provide a government-backed guarantee for a billion-dollar company's loan. The federal backing allowed Invitation Homes to receive lower-interest rates and more favorable loan terms than the single-family rental industry had ever received before and was likely a result of sustained industry lobbying. For years the single-family rental companies have argued that government guarantees, which have been available for multifamily loans since the 90s, "unfairly advantaged" apartment investors while disadvantaging companies owning "distributed apartments' in the form of scattered-site single-family rental properties" (Davis 2017). In redefining single-family rental housing as an alternative form of multifamily, the industry successfully persuaded Fannie Mae and Freddie Mac to overlook regulations that prohibit the government-sponsored entities from investing in new or emerging asset classes.

Through discursive tactics, the single-family rental industry seemed to have succeeded in pressuring the government to take greater financial risk, however, the deal was not without controversy. "From a political economy perspective the federal government is essentially subsidizing one of the largest private equity firms in the world and not getting anything back in terms of affordability or maintenance requirements," a national policy analyst said in an interview. "There does not appear to be any shortage of capital in this industry so I don't see a role for the public sector unless the public is getting something in return" the analyst said. According to several policy analysts and advocates, the deal with Invitation Homes was privately negotiated between the GSEs and Invitation Homes and did not include public input or even the explicit support of the FHFA or Treasury Department. Since Fannie Mae is a government sponsored entity and under the conservatorship of the FHFA, the decision to back the loan should have been a more deliberative process and included public input critics claim. "It reminded me of three years ago when Freddie Mac just pulled the trigger and did a deal to sell distressed loans with no community process or effort to engage experts or advocates," another policy official said. As mentioned previously, it took years for advocates to pressure the FHFA to agree to standards and requirement for those sales and advocates now fear the same may be true for the governmental guarantees provided to large institutional investors.

Fannie Mae and Freddie Mac have thus far not publically stated that they will continue to support the single-family rental industry, instead claiming that they are using the Invitation Homes deal to gather more "information". "This transaction helps us gather data and test the market to ensure we are delivering the right solutions that meet the increasing demand for single-family rental housing across all demographics," Fannie Mae told the Wall Street Journal (Dezember and Timiraos 2017). Yet it seems unlikely that Invitation Homes competitors will support a federal decision to back the loans of one single-family rental company and not the others (Swanson 2016).

In addition to government guarantees, the industry and some housing policy researchers have argued that single-family rental companies should be able to benefit from other government subsidies that support rental housing. For instance, the Urban Institute, a Washington, D.C.-based think-tank that

has regularly co-published reports with the single-family rental industry, released a report in 2015 suggesting that single-family rental companies should be able to access the low-income housing tax credit (LIHTC) program to support their "multisite multifamily" housing operation (Magder and Goodman 2015). Allowing billion dollar companies backed by multi-billion-dollar private equity funds to access additional real estate tax credits may result in a marginal increase in semi-affordable rental units, yet it will also provide unnecessary subsidies to an industry that has already received a federal transfer of discounted homes and discounted mortgages, as well as federal debt support.

From a Marxist perspective, the rise in both political and economic power of Wall Street firms and single-family rental companies with names "Colony Capital" represents a deliberate and structural change in the economy that exclusively benefits the capital elite. The foreclosure crisis could be seen as a "shock" to the economic system that allowed powerful actors to "correctively restructure" the economy in their own interest. As Marxist scholar Max Haven describes, this collective restructuring after an economic crisis "allow[s] capital to reclaim wealth fought for and won by the working class [by] foreclosing on homes, pulverizing of the welfare state, attacking wages, and assaulting workers' rights" (Haiven 2013). It is the epitome of "disaster capitalism" and a further example of how business 'assiduously cultivates' the state and when necessary uses it 'aggressively and with determination' (Harvey 2007: 44). Thus, for Marxists, the aftermath of the foreclosure crisis is not a failure of regulation or well-intentioned policy makers, but rather a failure of a capitalistic economy that, by design, exists only to propagate elite wealth capture.

The Regulated Deregulation of Tax Law

While the majority of state support for the single-family rental housing industry occurred after the crisis, the financialization of single-family rental housing also depended on existing, seemingly minor, government regulation that helped financialize other housing sectors such as multi-family and residential home mortgages. Minor adjustments in the tax codes and arcane financial regulations since the 1960s, provided the foundation by which the single-family rental "revolution" could prosper.

For instance, nearly all of the large institutionalized companies including Invitation Homes, Colony Starwood, and American Homes 4 Rent are organized as Real Estate Investment Trusts (REITs). REITs are credited as one of the major fiscal "innovations" that lead to the financialization of the multifamily market in the 1990s. REITs are required by law to distribute at least 90% of profits to investors and this unique structure provides a number of advantages for investors. First, REITs facilitate liquidity, allowing investors to buy and sell shares more easily than they would buy and sell actual real estate. Additionally, whereas purchasing real estate usually requires a substantial commitment of capital, REITs have no minimum investment requirement. As a result, investors can buy as many or as few REIT shares as they want. Before REITs, commercial real estate was primarily owned by wealthy individuals, corporations, and institutional investors, REITs, however, have helped usher in a new era of investment that effectively allows investors to purchase shares of real estate just as they would purchase shares of a company's stock. Perhaps most importantly for companies like Invitation Homes and Colony Starwood, REITs are exempt from federal taxes (although shareholders pay individual income tax on the dividends). Tax exemption provides a significant incentive that allows real estate companies to maintain greater profit margins. Without REIT status, single-family rental companies would be taxed as a regular domestic corporation meaning they would be subject to U.S. federal income tax at regular corporate rates.

Although REITs were created through tax laws in the 1960's, they did not gain investor interest until the early 1990s. Beginning in the 1980s, several federal laws allowed for the expansion of the financial tool, including the Tax Reform Act of 1986 and the Omnibus Budget Reconciliation Act of 1993. Both acts removed restrictions on REIT ownership and investor structures and allowed REITs to not only own, but operate and manage properties as well. These acts of public policy "laid the groundwork for REITs to become actively managed, fully integrated operating companies and led to the IPO boom of

the mid-1990s" (Barclays 2012). In addition, the Omnibus Budget Reconciliation Act also made it easier for pension funds and other institutional investors to own REIT shares. With increased demand from pension funds and other institutional investors, REIT shares skyrocketed and multifamily housing became more integrated in the global financial markets. "It is easy to forget, but just 25 years ago the entire market for apartment REITs was only about $100 million.... Today, the sector exceeds $100 billion!" Gary Beasley, previous co-CEO of the single-family rental investment company Starwood Waypoint said (Davis 2017). Investors are now hopeful that single-family rentals will go through a similar financial revolution.

Additionally, the rise of the single-family rental asset class would not have been possible without access to the securitization market - access that has been created through a series of legislative and regulatory actions over the last twenty years. Although there has been no explicit legislation relating to single-family rental securitization, single-family rental securitization highly depends on previous federal actions that expanded the market for mortgage-backed securities. For instance, the Secondary Mortgage Market Enhancement Act (SMMEA) improved the marketability of mortgage-backed securities by declaring AA-rated mortgage bonds equivalent in risk to U.S. treasury securities and other government bonds, thereby spurring investment by banks and pension funds. Additionally, the Tax Reform Act of 1986 authorized the creation of Real Estate Mortgage Investment Conduits (REMICs), which are financial entities formed as part of securitization deals that have the legal power to assemble mortgages into pools or tranches and issue pass-through securities. The new single-family rental securities depended both on the ratings criteria established by SMMEA and the ability to form REMICs authorized under the 1986 Tax Reform Act.

While the legal and tax structures formed through government regulation are complicated and confusing, the primary purpose of the securitization and REIT legislation was to spur investment by making real estate capital more "liquid". Liquidity, in finance speak, refers to how easy it is to convert an asset into cash and in the case of the single-family rental industry, describes the ability of investors to easily purchase and sell homes. Real estate has traditionally been fairly illiquid since selling property is typically a brokered process that takes time and has high transaction costs. REITs and securitization allowed investors to invest in pieces of real estate quickly and easily, but this liquidity had to be created by and through government regulation. "As a social construction, liquidity is variable, contingent and dependent on state actions and legal and regulatory frameworks to support the standardization, homogenization and exchangeability of commodities," Gotham describes, "State policies, regulations and legal actions can impede or facilitate the development of market liquidity. More important, creating markets for liquid capital reflects the politics of regulation, including political struggles and conflicts over policy formulation and implementation" (Gotham 2009).

Thus, as evident throughout this chapter the single-family rental market did not just "emerge" - rather, the ascension of the asset class depended both on explicit and implicit support through government subsidies and favorable financial regulation. The story of single-family rental housing further illustrates how financial markets are not "free" from regulation, as many neoliberal economists contend, but rather deeply dependent on a form of re-regulation or regulated de-regulation that is deeply entrenched in politics, power, and societal values. As Karl Polanyi describes, markets are social constructions that are regulated and re-regulated to fit the ideologies and politics of the time and as Aalbers argues, "regulation is not repealed to make the market mechanism function more smoothly; it is introduced to create new markets that end up looking nothing like the level playing field utopias espoused by neoliberal economists, think tanks, lobbyists and politicians." (Aalbers 2016). Thus as Aalbers argues, financialized housing markets do not depend on the absence of the State, but rather rely on the constant involvement of the State to "regulate deregulation".

CONFLICTING AGENDAS

The fact that the government is increasingly creating a regulatory environment to encourage institutional investment in single-family rental homes provides an interesting historical contradiction to the norm of homeownership as the primary political project of the pre-crisis political economy. The government's increasing regulatory support for institutional investment in single-family rental housing is a clear departure from the supremacy of homeownership as the primarily political project during the pre-crisis era. Since the 1950's, US financial and tax policy has deliberately incentivized homeownership, often through reregulation and financialization. As Lawrence Vale writes "the high rate of homeownership in the United States has been neither an accident nor an inevitable outcome of land availability and widespread prosperity. Rather, it has been nurtured by generations of public policy… and concerted efforts to instill an ideologically grounded belief in the moral value of the owned home" (Rohe and Watson 2007: 15). From Hoover's Own-Your-Own-Home Campaign in the 1920s to Roosevelts' Home Owners Loan Corporation, and from subsidized mortgages for WWII Vets to the creation of GSE's in the late 1960s, political administrations, both Republican and Democrat, have unwaveringly supported homeownership as the 'basis of democracy", "community stability", "national morality", and "the American Dream" (Rohe, Zandt, and McCarthy 2002).

In the mid 1900s, politicians also promoted homeownership as a bulwark against the threat of socialism. "Socialism and communism do not take roots in the ranks of those who have their feet firmly embedded in the soil of America through homeownership…Ownership of home is the best guarantee against communism, socialism, and the various bad isms of life," civic groups and trade organizations declared in the early 1900s (Rohe and Watson 2007). Marx similarly saw homeownership as the "embourgeoisement" of the working class and a deliberate attempt to quell revolution by making workers increasingly dependent on the income from labor. Likewise, some political economists argue that State supported efforts to increase homeownership through public subsidies and tax incentives constitute an "asset based welfare" approach to public policy that erodes public support for broader welfare state interventions such as social housing (Aalbers 2016).

After years of constructing the "American Dream of Homeownership", politicians were reluctant to overhaul decades of housing policy and ideology simply because there were rising profits in the single-family rental sector. Thus at the same time the federal government provided subsidies and tax support for private-equity backed rental companies, federal agencies also (somewhat futilely) allocated billions of dollars to assist working-class families achieve homeownership, often in the very same communities targeted by institutional investors. For instance, in 2009, the Obama administration allocated $30 billion to the "The Home Affordable Modification Program", or HAMP, in order to aid troubled borrowers and reduce foreclosures. The program gave permanent mortgage modifications to 1.3 million people, but 350,000 assisted homeowners ultimately defaulted on their mortgages and were forced to leave their homes. By 2014, fewer than one million homeowners remained in the program (a quarter of the targeted goal) and $28 billion of federal funding remained unspent (Dayen 2014).

Similarly in 2007, Congress enacted the Neighborhood Stabilization Program (NSP), a series of three related initiatives to fund community responses to the foreclosure crisis. Between 2008 and 2010, Congress authorized $6.9 billion in a competitive grant process that provided support for jurisdictions to purchase foreclosed homes, establish public land banks, demolish blighted structures, and redevelop demolished or vacant properties as housing. An evaluation of the program published in 2015 repeatedly mentioned the difficulty of program implementation due to investor competition in the housing market. Evaluators said that in the "Sand States" (Arizona California, Florida, and Nevada) local governments reported a "mini-bubble" resulting from large investors "appearing from everywhere". As a result, several counties, including Los Angeles, stopped even attempting to purchase single-family rental homes for affordable homeownership and instead "strategically shifted funds into multifamily financing". According to the HUD evaluation, this policy shift was directly due to "mounting investor competition" and "rising prices for single-family homes". In fact, 24 or the 37 areas they sampled (65%)

for the evaluation reported competition from investors as the primary challenge for acquiring properties for affordable housing.

The post-crisis schizophrenia of housing policy illustrates an underexplored and undertheorized question in financialization and community development scholarship; when facing competing interest, whose access to capital does state-sponsored financialization support? In this case, supporting both homeownership programs and institutional single-family rentals created a shortage of housing that drove up housing costs and decreased affordability. Thereby, in effect, counteracting the initially desired policy objectives. Even some analysts in the financial industry recognize the seemingly contradictory approach to post-crisis housing policy. At an industry conference on Asset Backed Securities, James Grady, director and bond manager for Deutsche Bank Asset Management explained the surprisingly wide-spread support for new single-family rental securitizations. "Unsurprising," he says, "The Street is looking for another product to sell... however....the odd thing about this is you see regulators, analysts and academics pushing for this too and it's at odds with some of the populist tone about income inequality". Grady goes on to say that he thinks policy makers and others were willing to put aside long-term issues of income inequality in order to drive up housing prices in the short-term (Gerrity 2014).

In the subsequent chapters, I argue that this kind of short-sighted and contradictory public policy results from a political process that allows companies to access the financial markets without any kind of democratic deliberation related to national housing goals or long-term directions for housing policy. By structuring the financial market outside of the realm of normal stakeholder engagement or democratic debate, the federal government sanctions a system that allows investors to "self-regulate risk" while shifting risk onto the broader public. More democratically accountable agencies like local governments are in turn left to manage the consequences of arcane financial regulations that cater to the needs and desires of institutional investors and private equity firms, often at the cost of tenants and lower-income homeowners or prospective homeowners. The next chapter further examines the varying perspectives on the impact of financializing and institutionalizing single-family rental housing. Additionally, it further investigates the role of government, particularly, local governments in balancing competing theories of who economic markets should aspire to serve and protect.

Chapter 3: Theories of Impact

Just as there are multiple, often contradictory narratives to interpret the rise of single-family rental housing as a real estate asset class, there is likewise multiple interpretations of the impact that the financialization and institutionalization of single-family rental housing will have on the economy, tenants, prospective homebuyers, and local communities. Single-family rental companies, investors, and financial analysts believe that the economy, tenants, and local communities will benefit from the increased professionalization of the industry, whereas tenant and community advocates claim that the increased dominance of financial markets will result in neighborhood instability and an unjust accumulation of wealth for the financial elite. Meanwhile, policy makers at both a federal and local level have primarily taken an agnostic perspective, arguing that there is a lack of reliable data and insufficient information to assess any direct impacts. In this chapter, I will situate all three perspectives within broader theoretical frames about the economy, risk, and the role of housing.

An Industry Perspective

The single-family rental industry argues that further integrating housing into the institutionalized financial markets reduces risk, decreases housing costs, and creates more professionalized systems of property management. "We believe that the investments we make, and the high standard to which we renovate our homes, improves our local communities both by offering residents choice and access to a superior quality of living" (Invitation Homes Inc 2017a). Similarly, Silver Bay describes their business model as strengthening communities and stabilizing tenant's lives, "As a long-term investor, we seek to align our interests with those of local communities in which our properties are located. We believe that our focus on renovating and maintaining the physical quality of our homes and our desire to keep rent-paying tenants in houses offers the best solution to maintaining property values and the quality of the neighborhoods in which we invest" (Silver Bay Realty Trust Corp 2012: 75). Likewise, Colony American Homes, CEO Justin Chang, touted the role of the single-family investors as "job creators" and "revenue generators". "Our investment in local communities helps to create new jobs through renovation and property management, and drives economic growth by providing income for local businesses and tax revenues for state and local governments," the CEO said (Gerrity 2014).

The belief that competitive markets will produce the most optimal outcomes is based on the intellectual tradition of various classical and neoliberal economists ranging from Adam Smith to Milton Friedman. In this theory, all economic actors are assumed to have free choice and to act rationally to maximize their individual benefit. Since renters will act in their best interest to find the best housing at the cheapest cost, landlords will be "self-regulated" into setting competitive rents and maintaining properties in good condition. If companies set rents too high or fail to maintain their properties, renters will choose to live elsewhere, resulting in high turn-over costs, vacancies, and ultimately lower rent yields. As Gotham describes, "mainstream economics assumes the existence of market equilibrium, harmony and optimization; promotes the idea that market forces of supply and demand promote efficiency and overall social betterment; and views land-use and metropolitan development as resulting from individual self-maximizing behavior" (Gotham 2009). The question of whether tenants and local communities actually have open access to information or "free housing choice" given the current cost of housing, low vacancies, and the financial, personal, and logistical challenges of moving, is largely unaddressed by industry enthusiasts.

Additionally, proponents of the financialization of housing argue that by providing greater access to capital at lower costs, housing will become more affordable. An industry website, for example, wrote an article supporting the decision by Fannie Mae to back Invitation Homes' securitization, arguing that lowering the cost of capital will result in more affordable rents and more rental units (Wiggin 2017). Some government officials seem to share this belief that the increased financialization and institutionalization of single-family rental housing will lead to greater housing affordability. In discussing the 2012 REO-to-Rental pilot program, then Housing and Urban Development Secretary

Shaun Donovan claimed that promoting single-family rental housing through private investment would "alleviate the strain on the affordable rental market" and "help stabilize neighborhoods and home values" at a critical time for our economy." Similarly, then Treasury Secretary Tim Geithner argued that creating new options for selling foreclosed properties will "expand access to affordable rental housing, promote private investment in local housing markets, and support neighborhood and home price stability" (U.S. Department of the Treasury 2011). At the time, policymakers did not seem to recognize the potential contradiction of simultaneously trying to increase home values and increase housing affordability.

A Financialization Critique

Tenants' rights activists, community organizations, and even some politicians have provided a counter narrative to this "market efficiency" doctrine. In various reports, press releases, and direct actions, these groups argue that the rise of financialized, institutionalized rental housing will result in higher rents and greater maintenance violations at a local level and increased market volatility and unjust patterns of wealth accumulation at a national and international level (Inglis 2015; CRC 2015; Call 2013; Call et al., 2014). Popular media has raised similar concerns of a "Wall Street takeover" of rental housing and questioned whether Wall Street is "muscling out" individual homebuyers by "plowing" and "stampeding" into the market. (Wagstaff 2013; M. Goldstein, Abrams, and Protess 2016; Perlberg and Gittelsohn 2013b). With headlines like "Wall Street... Kicks Tenants to the Curb" (Gopal 2017) and "Wall Street...The Target of Tenant Fury" (Alderman 2016) popular media describes "free-market capitalism" not as a harmonious process by which resources are justly allocated, but rather as a violent and tense battle between stakeholders. While news reports may intentionally sensationalize the issue to increase readership, the headlines appear to speak to a growing American suspicion of globalized finance and financiers.

Since the foreclosure crisis, the distrust of unregulated capitalism has spread from the left fringe of society to a commonly held belief amongst many Americans. In a 2016 poll, for example, over half of registered voters said Wall Street banks and corporations hurt the country as a whole, 39 percent say large financial institutions and corporations have hurt them personally and 60 percent say Wall Street companies have too much influence in the United States (Johnson 2016). In relation to the financialization of single-family rental housing, community advocates and some residents contend that the increased dominance of institutional capital will lead to an extractive "colonization" of local communities that allows "Wall Street to make money while harming [low and moderate-income] neighborhoods" (Dreier and Sen 2015). For them, the industry's claims of the benefits of "efficiency" and "professionalization" are simply "public-facing messages" used by investor-landlords to "acclimate" renters, community members, policymakers, and the public "to the idea that the same financial interests and products that nearly crashed the global economy are now safe, credible, and have the common good in mind" (Fields 2015). This distrust of institutionalized financial capital is also growing in mainstream political discourse. A recent opinion piece by California Assemblymember Rob Bonta, called on California lawmakers to "elevate our family, friends, and neighbors on Main Street over corporate profits on Wall Street" and stand up to the "rental empire" of companies like Colony Starwood and Blackstone (Bonta 2017). Similarly, speaking about HUD's transfer of distressed mortgages to Wall Street firms, Massachusetts Congressional Representative Michael Capuano said, "I understand HUD wants to make its money back, but hedge funds and private equity firms have one interest only, and that is the bottom line." (M. Goldstein, Abrams, and Protess 2016).

Some financialization scholars explain large company's preoccupation with the "bottom line" as reflective of an increasing economic structure that prioritizes the needs of shareholders above everyone and everything else, a phenomena often described as "shareholder value" (Froud et al. 2000; Jürgens, Naumann, and Rupp 2000; Morin 2000). Relatively new corporate financial practices like the introduction of financial performance measures and the reporting of quarterly profits combined with new managerial practices like mergers and acquisitions, leveraged buyouts, and outsourcing, have

resulted in increasing pressures to deliver short-term economic returns to shareholders at the cost of long-term productivity, social responsibility, and more redistributive business models (Jürgens, Naumann, and Rupp 2000; Börsch 2004; Widmer 2011). As described by political economist Natascha van der Zwan, "what sets the financialized corporation apart from its industrial-age predecessor is that the financial gains from these operations are not reinvested in the firm's productive facilities, but rather are distributed to shareholders through dividend payouts and share buybacks" (Zwan 2014). Scholars argue that this change in the nature of firms creates a growing wealth gap between the skyrocketing compensation for corporate executives and investment bankers and the declining or stagnant wages in the productive or "real" economy. As a result, from 1980 to 2002, the finance sector's share of total U.S. profits tripled from 15% to 45% and wage inequality increased by over 25% (Krippner 2011; Tomaskovic-Devey and Lin 2011). Various studies suggest that these structural changes in the workplace and macro-economy crippled the labor movement and resulted in windfall profits for financial elite (Lin and Tomaskovic-Devey 2013; Crotty 2003; Palley 2007).

While there has been no academic research on how the pressure for investor returns might impact rental housing, advocates working on the intersection of labor and community issues have drawn parallels between "shareholder value" and tenant conditions "At SEIU, we have been researching these same private equity firms for over a decade because their model focuses on maximizing short-term profits by undermining long term viability and destroying workers' livlihoods during leverage buyouts and other hostile corporate takeovers. I have no doubt that these same actors are going to see renters' lives as just another budget line item," Jono Shaffer, Deputy Director at SEIU said in an interview (Shaffer 2017).

Policymakers and the broader public also worry that the further financialization of rental housing will result in greater market volatility because of the short-term, profit-driven motives of Wall Street investors. As a tenant leaders said during a coalition meeting of housing justice organizations, "It is only a matter of time before these investors find a more profitable enterprise and then what?". Similarly, in a letter to Congress, Representative Mark Takano expressed concern that if vacancy rates rise or renters are unable to pay their rent, single-family rental companies may quickly sell off their properties, "depriv[ing] renters of their homes" and "send[ing] housing prices into a freefall" (Takano 2014). The idea that financialization produces market volatility supports Harvey's theory of capital switching discussed in Chapter 1. As described previously, investors will seek to "switch" capital into the built environment when the productive economy declines. While economists characterize this switching as "profit optimization" and part of the natural and harmonious search for equilibrium, many financialization scholars like Harvey, argue that the process is inherently violent and produces volatile boom and bust cycles that put the most vulnerable at risk.

While Harvey and others argue that volatility results from capital-switching in the face of overaccumulation, other financialization scholars argue that market volatility is a result of "euphorias" and "speculative manias" that produce irrational bubbles. Examples of this kind of boom-and-bust mania include the tulips craze in the 1600s, the dot-com industry in the 2000s, and most recently the subprime mortgage crisis. Charles Kindleberger argues that bubbles result from a kind of "displacing event" which sets into motion social and psychological processes intrinsic to financial markets that quickly build into a speculative mania that produces extreme economic volatility (Shiller 2000). If single-family rental housing is part of an unsustainable "speculative mania" triggered by an overestimation of rent increases and home price appreciation, there is high potential for a subsequent crash in the market, particularly if tenants are unable to continue to afford rent increases or if home prices stabilize. "Proper oversight of new financial innovations [like single-family rental securitizations] is key to ensuring we don't go down the same road of the unchecked sub-prime mortgage-backed security and create an unsustainable **bubble** that will wreak havoc when it **bursts**" Congressional Representative Takano wrote in his letter to Congress (emphasis added) (Takano 2014).

Even investors and real estate professionals express concern about the rise of housing as a globalized and institutionalized asset class prone to speculation and volatility. For instance, at a single-family rental industry conference in 2013, Mark Fleming, the Chief Economist for CoreLogic said that the rise of single-family rental housing as an investible asset class could produce greater volatility in the housing market as investors buy and sell homes more quickly and easily. "The single-family housing market today is being treated more as an investible asset class than ever before in history... what we know from looking at investible asset classes (like the stock market) is that the more they are treated as an asset class, the more volatile they [become]" (Pierson 2014: 92). Similarly, Samuel Zell, one the largest real estate owners in the world, argues that the "commoditization of real estate" through the proliferation of real estate syndicators, REITs, and institutional investment by pension funds and insurance companies has transformed real estate from an "investment vehicle" to a "performance vehicle". He bemoans the increasing role of "number crunching" MBA's within the real estate industry, and claims that because real estate is local, property yields cannot be systematized through mathematical projections and calculated internal rates of return. "Real estate will become like the tulip craze in Holland in the 17th century, railroad boom in the 18th century, and the Florida land boom in the 1920s, all reflective of a frenzied era when participants lost sight of underlying fundamentals" he warned in 1986, twenty-two years before the foreclosure crisis and subsequent economic downturn (Zell 1986).

In addition to speculation and volatility, some scholars and community advocates argue that further financialization could result in unequal geographic investment and reproduce patterns of spatialized capital extraction. As Leyshon and Thrift describe, financialization creates a "value chain with its own attendant geography"; one end of the chain consists of the assets, the other end enjoys "the spoils of speculation" (Leyshon and Thrift 2007). In the case of single-family rental housing, moderate and lower-income suburban communities could become the "attendant geography" from which urban centers of financial wealth are able to extract value. Thus the goal of the financialization of housing is to "despatialize" real estate profits away from their "attendant geographies" by making capital more liquid. "Financial innovations" like REITs and mortgage securitization allow real estate profits to become, as Marx describes, "abstract, nomadic, and placeless" and help to "eradicate local peculiarities and place distinctions ...thereby eliminat[ing] the spatial barriers to the circulation of capital" (Aalbers 2012: 31)

The impact of extractive capital in producing spatial inequality is not just a concern of Marxist scholars; it's a clearly articulated worry even in politically conservative communities. "Everyone is very concerned about being a thumbtack on a map somewhere in a big high-rise office building" a City Council member from Huber Heights, Ohio said in an interview about the town's new concentration of private-equity-backed landlords. "We're not bothered by out-of-town neighbors coming in and investing in our community, but we're not going to be naïve" He continued. The idea of "being a thumbtack on a map" illustrates the discontent local communities may feel towards a model of real estate investment that siphons off local rental revenue for global capital returns (Perlberg and Gittelsohn 2013b).

Lastly, communities and scholars question whether private equity investment will actually lead to greater affordability and neighborhood stability. In analyzing the financialization of residential mortgages, Aalbers argues, that "the financialization of home" was never designed to enable affordable homeownership, "it was first and foremost designed to fuel the economy". He contends that wider access to mortgage loans only resulted in higher house prices and he rejects the notion that access to capital results in greater affordability. "The result [of financialization] is not improved access to homeownership but an increase in risk and insecurity" he argues. According to his analysis, home prices from the 1960s to 2008 did not increase simply because the demand for housing was greater than the supply. Rather housing prices skyrocketed because the supply of money directed towards housing increased, irrespective of the demand for either housing or money. Thus, he concludes "supply creates its own demand" (Aalbers 2016: 139).

Critics of financialization also reject the notion that investor activity in the housing market stabilized neighborhoods after the crisis by establishing a "floor" and rehabilitating blighted homes. Instead, advocates argue that the investors have "cherry picked" neighborhoods that likely would have recovered anyway and the largest companies only invested in properties that guarantee the greatest returns, not those most in need of capital investment (M. Goldstein, Abrams, and Protess 2016). They claim that supporting homeowners to stay in their homes after the crisis would have provided greater stability to both neighborhoods and individual borrowers and would not have resulted in the global speculation that led to the current crisis of housing unaffordability (CRC 2015).

A Wait and See Approach

Although some regulators and policymakers have explicitly supported or opposed the financialization and institutionalization of single-family rental housing, most have taken a "wait and see" approach that remains agnostic to the impacts of markets and investors in society. For example, a 2013 report by the Federal Reserve, extolled the role of investors in "aid[ing] the [housing] recovery...by helping to clear the inventory of vacant and foreclosed homes", "fund[ing] much-needed renovations", and improving the "efficiency" of rental housing by "investing in new platforms for property management, marketing, and servicing, and by expanding the number of single-family homes for rent in relatively attractive neighborhoods" (Molloy and Zarutskie 2013). However, the same report raised concerns that investor activity may put local housing markets at risk if investors fail to maintain their properties or if the investors are forced to sell a large number of houses due to financial difficulties. Given these potential risks, the report stressed the need to "monitor" the industry for "potentially destabilizing structures or concentrated exposures" (Molloy and Zarutskie 2013). The report did not, however, expand on who should monitor, how, or when.

Most policymakers' concerns about the rise of institutionalized and financialized rental housing focus on the potential impact on prospective homebuyers. For example, in 2016, California Assemblymember Calderon introduced legislation to monitor the impacts of "large-scale buy-to-rent investors" on prospective homeowners.. The initial text of the bill stated:

> "before any meaningful legislative action takes place, more data needs to be collected and analyzed... to properly categorize the problem, and while the impacts are currently unknown, families and other first-time homebuyers are certainly put at a disadvantage when having to compete against a large investment firm. This can exacerbate income inequality issues in the state and must be addressed sooner rather than later to protect the American Dream of buying and owning a home."

The text was later amended in committee to read: "Before any meaningful legislative action takes place, more data needs to be collected and analyzed...There is currently insufficient data to properly categorize the-impacts on families and other first-time-home buyers." The changed text clearly reflects a reluctance of policy-makers to take an ideological stance on the institutionalization and financialization of single-family rental housing before collecting more "evidence" of potential risks and harms (Calderon 2016b).

While some state and national officials have introduced legislation to monitor the financialization of single-family rental housing, local officials are largely unaware of the "revolution" in single-family rental housing ownership. In an interview with an investigative reporter who has been examining the rise of institutional investment in single-family rental housing, the reporter explained that local officials and housing personnel are largely oblivious to the increased market dominance of large institutional investors. "Based on my interviews, local governments know that large investors like Colony and Blackstone have purchased large numbers of homes, but they have no idea how many or

where," the reporter said[8]. Although property ownership is public data collected by county assessors, most local governments do not monitor investor activity.

Similarly, my own examination of city's community development reports reveal that most local governments have not formerly connected the change in housing tenure with broader discussions of housing and community development planning. Cities that have high institutional investor ownership such as Los Angeles, Atlanta, Tampa, Orlando, Lancaster, and Palmdale do not discuss the impact of housing investors or speculators in any of their required federal or state housing reports (including Consolidated Plans, Analysis of Impediments to Fair Housing, or in California, local Housing Elements). Sacramento and Phoenix's Consolidated Plans both mention that residents have raised concerns about "cash investors crowding out homebuyers", however, neither city proposed any specific initiatives or housing policies to address these concerns (Sacramento Housing and Redevelopment Agency 2016; Crystal & Company 2015). Additionally, Sacramento's Housing Element credited investors with driving up home values and "moderating rental prices" but the City provided no data to support those conclusion (City of Sacramento 2013). In direct contrast, the City of Phoenix said investors are decreasing affordability by purchasing homes that were formerly available for low- and moderate-income families. These contradictory perspectives on the impact of investors reflect the lack of information available to local policy makers and a lack of critical analysis or attention to one of the greatest potential changes in the rental housing market in decades.

[8] The reporter is releasing a long-form investigative report on one of the single-family rental companies in June of 2017 and is required by the publisher to remain anonymous until then

CHAPTER 4: CONSTRUCTING A DOMINANT DISCOURSE OF FINANCIAL RISK AND RISK MANAGEMENT

The contested perspectives discussed in Chapter 3 allude to a multitude of potential risks associated with the rise of single-family rentals as an institutionalized and financialized asset class. While those within the financial industry believe that financialization will result in efficient outcomes and provide tenants and communities with greater stability and choice, tenants' rights groups and some elected officials argue that "Wall Street Landlords" will aim to maximize profits by aggressively raising rents and reducing maintenance costs. Anti-financialization advocates also argue that increased financial speculation in rental housing may contribute to market volatility and lead to greater disparities in income, wealth, and geographic investment. However, in the process of creating single-family rental housing as an asset class, the complexity of this debate, at least thus far, has been reduced to a simple risk calculus designed to protect and incentivize investors.

Single-family rental firms' ability to access debt and equity markets was not determined by political discussions about national priorities for housing policy nor was it based on a nuanced risk analysis that incorporated multiple stakeholders' perspectives. Rather industry actors (including financial investors, rating agencies, and single-family rental companies) negotiated amongst themselves to achieve a level of "trust" before issuing debt and equity securities. Since the single-family rental market could effectively "self-regulate" access to financing, "investor risk" thus became the dominant discourse for evaluating, sanctioning, and enabling revolutionary changes in the political economy of single-family rental housing. It is important to note that while this chapter appears to distinguish between single-family rental companies and the investors who purchase the companies' securities, this distinction is, in reality, far more nebulous. All of the top executives of the single-family rental companies also own significant shares of the company's stock, and as discussed in Chapter 1, most of these companies were created and continue to be managed and operated as part of larger private-equity or money management funds.

In evaluating how the financial industry created a dominant risk discourse that privileged the perspectives and needs of investors over tenants, local communities, and the broader public welfare, I draw upon a framework developed by Cynthia Hardy and Steven Maguire (Hardy and Maguire 2016). Hardy and Maguire incorporate Foucault's definition of discourse and dominant discourse, to analyze how the construction of "risk" is created through texts and practices and acted upon by specific risk actors. These texts and practices, as well as the actors who implement interpret and create them, systematically bring "risk," as an object of knowledge, into existence. The discourse becomes dominant when the texts and practices related to a subject reinforce each other in established ways, thereby constructing a common explanation of a phenomena and a clear "knowledge" of a topic or issue. This narrow conceptualization of knowledge constructs a taken-for-granted reality and a specific "regime of truth" (Maguire & Hardy, 2009). Furthermore, it establishes specific norms for talking and acting about a topic and rules out alternative dialogues, actions, and modes of being (Phillips, Lawrence, & Hardy, 2004). Thus, discourse, particularly dominant discourse, is not merely a means "of representing the world"; it is also a way of signifying, constituting, and constructing the world with meaning through the inclusion, exclusion, ordering, and characterization of material and ideational phenomenon (Fairclough, 1992: 64). Through discourse people come to understand themselves, the world, and their relations to others. Thus, discourse not only *describes* things, it *does* things (Potter & Wetherell, 1987: 6). In the case of single-family rental housing, a dominant discourse of risk significantly impacts how risk is defined, managed, and mitigated for the interest of some at the expense of others.

Drawing on investor reports and original interviews with representatives from the financial industry, this chapter outlines the main risks to the financialized single-family rental market as perceived by investors, rating agencies and the companies themselves. It also discusses how companies, regulators, and other industry actors have managed, mitigated and controlled for these perceived risks through

business practices, legal contracts, and mandatory disclosure. In conducting this research, I found that the interviews, disclosure documents, rating methodologies, and market reports all construct risk within a similar and dominant frame that conceptualizes of the financial market as absent from broader notions of social responsibility, economic justice, or public welfare. This discursive divide between "the economy" and "society" reinforces a neoliberal notion of "free markets" as disembeded from larger societal norms or governance structures.

Yet as shown in this chapter, the single-family rental market is not "free" but rather socially constructed through a series of norms, legal requirements, and agreements all intent on minimizing, managing, and modeling "risk". In examining how the financial industry conceived of and managed risk, I have categorized three distinct but interconnected areas or sets of risk as perceived by investors and mitigated through corporate practices and market arrangements. The first set of "risks" focus on the single-family rental market as a whole, including possibilities of low rental yields, higher operating costs, low home price appreciation, and potential political changes or opposition. These risks are primarily managed by the single-family rental companies through organizational business strategies. The second set of risks focus on the additional concerns perceived by investors in debt securities, which are primarily managed through a complex legal and institutional network of actors. Finally, I examine risk within the equities market and the types of disclosure and evaluative methods available for potential corporate shareholders.

Combined this analysis shows that while access to capital is often assumed to be a "natural" "self-regulating" process, it is in fact, a coordinated and regulated construction that involves continual, negotiation, disclosure, and highly technical legal arrangements amongst various actors. The challenge for housing policy makers and advocates, is that this market construction is imagined to be outside of the domain of social concerns and the broader public welfare. Despite the fact that access to capital and the rules and conditions associated with that access can dramatically alter the physical and social landscapes of neighborhoods and communities, capital markets are assumed to be beyond the realm of urban planning and the profession of community development. By analyzing how market actors currently conceive of and manage risk, planners and community developers can better understand the existing regulatory process and begin to position themselves within that dialogue and discourse.

Perceived Risks Managed by Business Practices

In 2011, as the single-family rental industry became a more institutionalized venture dependent on equity and debt markets, investors in both markets were concerned about the long-term viability of the asset class and the ability of companies to sufficiently manage thousands of dispersed properties. For example, prior to the first single-family rental-backed security in 2013, Fitch Ratings raised concerns about the "limited track record" of institutional investors' ability to manage rental properties and said that there were too many "unknown variables" that could affect cash flows (Fitch Rating Agency 2013). Similarly, a report from the Federal Reserve discussed several "gray areas" of the asset class, including broader housing market risks, risks associated with a new, untested business model, and risks of using evaluation and management indicators not designed for the new asset class (Raymond 2017). Rating agencies and capital market investors explicitly asked emerging companies to "cater" to skeptical investors by providing regular communication and reporting documents that proved that the revenue and costs of the industry could be accurately modeled, managed, and predicted (Gerrity 2014).

Single-family rental operators acknowledge investor skepticism and try to inspire greater "market confidence" by adopting business practices aimed at increasing efficiency, decreasing costs, and providing investment transparency. In nearly every disclosure document to investors, single-family rental companies state "we are employing a new and untested business model with no proven track record" (American Homes 4 Rent 2013: 16; Invitation Homes Inc 2017: 10; Colony Starwood Homes 2017a: 2) and "We have a limited operating history and may not be able to operate our business successfully or generate sufficient cash flow to make or sustain distributions to our shareholders"

(American Homes 4 Rent 2013: 16; Invitation Homes Inc 2017: 22; Colony Starwood Homes 2017a: 2). The companies then describe how they will manage those perceived risks through improved organizational processes and business strategies. While investors' concerns originally focused on the ability of single-family companies to raise sufficient capital to acquire and rehabilitate homes, most of the concern is now focused on how companies can produce sufficient revenue from the every-day rental operations. As explained in an interview with Stephan Schmitz, former CEO of American Residential Properties, the industry's greatest current challenge is "optimizing operations".

> "When we first started with this thesis, [investors] said 'can you really raise the money' and 'are institutions really going to invest mosney in this?' We proved that they would. Then it was, 'can you really deploy all this capital quickly, buying these hundred, hundred and fifty thousand dollar homes'. We showed that we could. 'Well how can you rehab this stuff'...We did this. Then it was, 'surely there are not enough tenants to go around'. And we showed that that's obviously not the case. Now the toughest challenge, and maybe the final challenge is, 'can you really run this adequately to generate enough return on investment to continue to attract institutional capital'. That's what we need to prove as a company. That's what we need to prove as an industry. And that all comes down to refining our operating systems, getting them all as tight as can be. Because this is still a business of pennies..[we have to] squeeze the pennies out.. and as we do that drive up margins" (Kenney 2015)

Because single-family rental companies and investors see themselves as a "business of pennies", those within the industry are most concerned with potentially low rental income, high operating costs, low home price appreciation and possible political and regulatory changes. The following analysis of these perceived risks and the description of the mitigation strategies adopted by single-family rental companies, is a result of my own original interviews and interpretations of trade reports, transcripts from quarterly earning calls, and SEC reporting documents.

RISK 1: LOW RENTAL INCOME

Single-family rental companies face significant pressure to not only collect sufficient rental income to generate high levels of return, but also to assure investors that rental incomes can be accurately modeled and predicted. Although companies structured as REITs provide investors with both gains from home price appreciation and rental revenue, typically about 60% of investor returns come from rental income, according to industry experts (Barclays 2012). Therefore, companies must aggressively pursue business practices that will guarantee investors high and predictable rental yields. Based on interviews and corporate disclosure documents, single-family rental companies try to maximize rental yields by carefully screening tenants, regularly monitoring market rents, and strategically acquiring and selling properties.

All of the single-family rental companies said one of the primary ways they mitigate against low rental yields is through careful tenant selection. "We depend on our tenants and their willingness to renew their leases for substantially all of our revenues. Poor tenant selection and defaults and non-renewals by our tenants may adversely affect our reputation, financial performance and ability to make distributions to our shareholders," American Homes 4 Rent stated in their latest investor filing (American Homes 4 Rent 2017: S-3). Colony Starwood Homes and Invitation Homes both have a nearly verbatim disclosure in their reporting documents: "We depend on rental income from residents for substantially all of our revenues. As a result, our success depends in large part upon our ability to attract and retain qualified residents for our properties" (Colony Starwood Homes 2017a: 11; Invitation Homes Inc 2017: 25). Similarly, Silver Bay's filing explicitly mentions that the company's success depends on its ability to "screen applicants, identify good tenants and avoid tenants who may default" (Silver Bay Realty Trust Corp 2012: 31)

Although investor disclosure documents mention affordable homeownership and increased construction of rental units as potentially limiting the supply of qualified tenants, all of the industry specialists and company representatives claim that demand is not a substantial problem. In an interview, an industry analyst from an investment banking firm said "rental demand is not a risk factor" because the "younger generation is more asset light" and "younger people recognize that homeownership is not a good diversifier of assets". He said that renting is part of a new culture of "mobility" and changes in tenure "work with a new lifestyle trend amongst millennials". Similarly, a CEO of one of the leading single-family rental companies explained in an interview that renting is a "behavioral trend" amongst millennials and a broader "movement not to have asset accumulation". Likewise, a panelist at an industry conference, claimed investors needn't worry about the demand side of the industry because millennials are of a "unique mindset" that will drive rental demand. "They are about the experience – sort of a mind, body, soul attitude", he claimed (IMN 2015). Yet based on my survey of 100 tenants in Los Angeles County, I found that most of the tenants are not "asset light millennials" actively diversifying their assets and seeking "mind, body, soul experiences", but rather older low- and moderate-income renters with children living in multigenerational or non-traditional family structures. Additionally, most said that they would love to buy a home but have bad credit or cannot afford the down payment (see Chapter 8 for a more detailed analysis of the tenant survey results).

Changing the dominant narrative and perception of renters is likely a strategic effort by the single-family rental industry to inspire investor confidence and reduce political opposition. In the United States, renters are often portrayed as poor, irresponsible, and a deviation from the economic norm of owning a home (Aalbers 2016). In order for the single-family rental industry to grow, emerging companies had to combat this dominant image though an alternative narrative of tenants as young, flexible, and "lifestyle oriented" individuals who can be responsible members of society. For example, an infographic developed by the single-family rental industry's new trade association, the Rental Home Council, says "renters are good neighbors and upstanding members of the communities" and "like homeowners, renters want to put down roots and contribute to local community" (Rental Home Council 2017). As a result of this marketing effort, industry analysts claim that the "neighborhood stigma of renting has all but disappeared" (IMN 2016).

In order to prove that they are selecting the "good" tenants, single-family rental companies say they develop marketing strategies and "robust, standardized resident screening processes". Additionally rating agencies require that all single-family rental companies develop and disclose specific advertising, marketing, and leasing strategies (Kroll Bond Rating Agency 2017). Rating agencies may also require companies to prove that the "economic interest of the leasing agents align with that of the property manager". For example, KBRA discourages companies from compensating leasing agents based on commission because doing so would provide an incentive to "offer lower rates or to approve poor quality tenants" (Kroll Bond Rating Agency 2017). The ability of rating agencies to use their risk assessment power to require or suggest specific business practices illustrates the extent of negotiation and regulation involved in the single-family rental market construction.

Single-family rental companies also attempt to gain investor confidence by promising to set competitive market rates and by aggressively pursuing evictions if rents are more than a few days late. Invitation Homes, for instance, claims the company can "outperform market rental growth" through "sophisticated revenue management processes and systems to produce and analyze more insightful market intelligence" (Invitation Homes Inc 2017: 107). Similarly, Colony Starwood Homes claims that its success depends on achieving "target rent levels" (Colony Starwood Homes 2017a: 9) and Silver Bay says it establishes rental rates based on "comparable rent analysis conducted by local property managers and reviewed by our regional property managers or chief operating officer" (Silver Bay Realty Trust Corp 2015: 7). In an interview with an investment bank that conducts extensive research on the single-family industry, an analyst explained that some single-family rental companies allow local property managers to set rents in accordance with local conditions, while others have national or regional executives set the rent levels or depend more on technology and rental analytic software like Zillow.

The analyst mentioned that there may be tensions between who has the ability to set rents, but did not provide any greater detail on the results or implications of those tensions.

Companies that participate in the debt or equities market must disclose their rental growth rates for all rental leases and rating agencies and investment bankers compare the rental growths between companies when modeling or predicting financial risk. In general, rental increases and rental growth rates appear relatively consistent amongst the largest companies. For example, in the first quarter of 2017, Colony Starwood reported an annual rental growth rate for lease renewals of 4.7% and representatives from Invitation Homes reported renewal growth of 5.3% during the same period (Colony Starwood Homes 2017; Invitation Homes 2017). In interviews, companies said that their rental growth rates not only have to demonstrate positive returns to woo investors, but also have to equal or exceed returns in other industries such as multifamily housing. This creates additional pressure to keep rents "competitive" by raising rates each year.

Additionally, during tquarterly earning calls, investors and analysts compare the rental growths of one company to that of the company's "peers". For example, during American Homes 4 Rent's 2017 first quarter earning call, David Corak, a representative from FBR Capital Markets (an investment bank and brokerage firm) asked about the rental company's relatively low rental increases: "I am hoping you guys can give us some color on your strategy on increasing renewal rates... you have a fairly long average duration of your stack compared to other types of residential properties, does that mean your customers are actually stickier...I'm just curious on how we're supposed to view this going forward...is there a point where you guys feel comfortable pushing renewals more aggressively?" (American Homes 4 Rent 2017). Essentially, the investment banker asked why tenants were staying longer in American Homes 4 Rent properties without paying more, and questioned whether low rental increases reflected a reluctance of consumers to pay more (price stickiness). In response to the question, CEO David Singelyn answered that the company's current renewal increases of 3 to 4% are "pretty healthy" and slightly pushed back on the need to raise rents higher. However, since Corak was also on the quarterly earnings calls with Invitation Homes and Colony Starwood, both of which have significantly higher rental increases, he (and other investment bankers like him) may continue to pressure American Homes 4 Rent to further increase rents. This interaction further illustrates the pressure companies may face in appeasing investors' demand for high returns while still maintaining fair rents for tenants.

If single-family rental companies do not have systems in place to set competitive rents, rating agencies threaten to downgrade their securitization deals. As Kroll Bond Rating Agency disclosed in its Single-Family Rental Rating Methodology, "KBRA will review a company's strategy for determining rental rates, including which concessions or rent reductions are appropriate...If a company lacks a comprehensive, strategic approach to setting rental rates, KBRA may reduce its gross potential rent forecast and increase its vacancy assumptions to account for the risk that the portfolio may be adversely impacted due to underperforming management" (2017: 11). The threat of downgrading due to higher vacancy assumptions disciplines single-family rental companies into systemizing rent collection and minimizing "concessions". While increased accountability ensures reliable investor yield, it may mean that tenants are unable to negotiate with the single-family rental companies for lower rents or late fee forgiveness.

KBRA also says it requires single-family rental companies to have a detailed maintenance plan in place before soliciting a rating. The maintenance plan must include a central system of data collection, a legal division to "address landlord/tenant issues", and detailed policies and procedures that govern late fees, loss mitigation and evictions. According to the rating agency, "delinquent tenants should generally be contacted immediately following missed payment dates, and it is expected that the eviction process will begin shortly thereafter... KBRA will evaluate eviction strategies to determine whether adequate controls are in place to ensure compliance with local laws while providing for the timely removal of tenants" (2017: 11). If single-family rental companies are not able to "remove" tenants in a "timely manner" and do not have a "detailed eviction plan", KBRA threatens to increase the loss assumptions in its risk model which would result in a lower rating. Moody's similarly requires single-family rental

companies to provide details on the "guiding principles behind rental agreements" including length of lease, obligations of tenants, and rental terms. The rating agency also requires single-family rental companies to report existing rents, tenant delinquency, "gross potential rents", and "concessions". (Moody's Investors Services 2015). Again, the constant surveillance of rental rates, late payments, and "concessions" to tenants creates a disciplining structure of accountability that may prevent local staff from negotiating with residents.

In order to further ensure steady rental yields for investors, single-family rental companies say they invest in markets with strong probabilities of rent increases and higher home value appreciation. In its prospectus, Invitation Homes stated "We invest in markets that we expect will exhibit lower new supply, stronger job and household formation growth, and superior NOI growth relative to the broader U.S. housing and rental market" (Invitation Homes Inc 2017b : 113). Additionally, within geographic markets, the company says it focuses on "highly desirable in-fill locations with multiple demand drivers, such as proximity to major employment centers, attractive schools and transportation corridors" (Invitation Homes Inc 2017b : 117). Colony Starwood referred to these areas as the company's "strike zone" during its quarterly earning call in February 2017 (Colony Starwood Homes 2017c).

If single-family rental companies obtain properties that do not meet their investment criteria, the companies "strategically dispose" of the homes through asset sales. As Invitation Home's prospectus describes, the company has "disposed of" approximately 2,500 homes that did not meet its long-term investment criteria. The company boasted to investors that the "embedded optionality" of being able to sell underperforming homes "demonstrates the ability to employ multiple disposition channels to optimize our portfolio and redeploy capital into more attractive investment opportunities without relinquishing the benefits of in-market scale." (Invitation Homes Inc 2017a). Similarly, representative of Colony Starwood stated in their February 2017 quarterly earnings call that the company had "earmarked" $300 million of assets for future disposition, and is expected to sell $150 to $250 million worth of homes in 2017 as part of a "portfolio optimization program" (Colony Starwood Homes 2017c). In an attempt to standardize the language on strategic dispossession and better communicate corporate strategies to investors, the single-family rental trade association suggested that companies develop the common terminology of "core portfolio" to describe those properties that companies intend to keep for rental housing. "The [term] core portfolio helps investors understand which homes are intended to be held for the long-term vs. those intended to be sold." (Rental Home Council 2016). Companies are encouraged by the trade association to report maintenance costs and rental growths for the "core portfolio" separately from properties that are "earmarked" for disposition. The development of this new reporting language illustrates how industry actors construct a discourse for risk disclosure that aims to standardize and systematize the emerging asset class for the ease of investors.

To further maximize investor yields, companies are increasingly promising to pursue "ancillary revenue opportunities" such as fees, tenant charge backs, or new service charges. For example, Invitation Homes attributed its 6% increase in property earnings to the implementation of a "national lease" which "standardizes rental fees across the portfolio" (Invitation Homes Inc 2017: 82) and the company says it has developed a system to "track resident delinquency on a daily basis" in order to continually assess late fees (126). In a 2017 quarterly earning call, Invitation Homes credited the "national lease" and the automation of tenant charges with driving a 22% increase in ancillary income resulting in two million in additional revenue (Invitation Homes 2017). The company boasted to investors that the national lease and automatated system "makes sure that fees are being charged appropriately, so they are not at the discretion of our local folks" (Invitation Homes 2017).

Similarly, Colony Starwood, reported an increase in revenues of 90% from 2015 to 2016, which the company credits primarily to the acquisition of new homes, but also to the enhanced implementation of

"smart home service charges[9], tenant charge backs, late charges and early-termination charges" (Colony Starwood Homes 2017a: 48). Assessing late charges, collecting eviction fees, and withholding security deposits ensure that companies can reduce the costs associated with tenant turnover and potentially even generate revenue by displacing residents. Colony Starwood, for example, reports a net turnover cost per home of $1,500, which is far less than its average security deposit of $2,000 (Colony Starwood Homes 2017a).

RISK 2: HIGH OPERATING COSTS

Because single-family rentals are geographically dispersed, investors initially feared that companies would be unable to sufficiently maintain properties while retaining high profit margins. To assuage investors concerns, single-family rental companies provide investors and rating agencies with annual and quarterly maintenance expenditures including: "average capital expenditures per home", "average cost to maintain a home", and "average maintenance and turnover expense per home". In 2016, for example, Invitation Homes reported an average cost to maintain a home at $1,146 per year (Invitation Homes Inc 2017a) and Colony Starwood reported an average cost around $2,700 (Colony Starwood Homes 2017c). While this disclosure provides greater transparency, it also pressures single-family rental companies to continually reduce costs in order to produce favorable reports for investors. To reduce maintenance costs, single-family rental companies say they engage in strategic purchasing, increased technological innovation, and ongoing "tenant education".

All the major single-family rental companies use technology to develop sophisticated methods for estimating the potential maintenance cost of a property relative to its predicted return. As Invitation Homes states, "Our success depends on our ability to acquire properties that can be quickly renovated, repaired, upgraded and rented with minimal expense and maintained in quality condition" (Invitation Homes Inc 2017b: 28) In determining whether a particular property meets the company's investment criteria, Invitation Homes, Colony Starwood, and American Homes 4 Rent use proprietary algorithms that use local rental data, tenant turn-over assessments, age of the home, and other criteria to predict revenue relative to maintenance costs. As Colony Capital describes "the renovation scope for each home is developed through a technology enabled process that incorporates proprietary systems, home level data, pre-established specifications, and standard and pricing expertise from our in-market personnel" (Colony Starwood Homes 2017a: 7).

Companies use these algorithms and other investment strategies to tactically purchase homes that they believe will have lower operating costs. For example, American Homes 4 Rent only purchases homes built after 1990. Colony Starwood, on the other hand, says it chooses to invest in both newer and older homes because the latter benefits from "higher quality construction, better proximity to employment and transportation, and superior school districts" (Colony Starwood Homes 2017a: 4). Additionally, single-family rental companies are starting new "built-to-rent" enterprises in which they contract with a housing developer to set aside a certain number of newly built single-family homes as rental units. Colony Starwood claims that through build-to-rent, the company can require certain home specifications and purchase all of the homes in a "single negotiated transaction". Bulk sales and customized homes reduce maintenance and operations costs, according to company executives (Colony Starwood Homes 2017c; American Homes 4 Rent 2017).

Companies also use technological platforms to reduce ongoing maintenance and operating costs such as tenant selection and rent collection. Although all of the largest companies now have internalized management operations and district offices, the complaint and rent collection processes are typically handled through online systems or one centralized call center. According to the companies, this reduces

[9] So called "Smart Home charges", which allow tenants to pay a premium for increased surveillance and integrated technology, have become the latest revenue-driving trend in single-family rental management, but may comprise tenant privacy (as discussed more in Chapter 5).

the need to pay human staff. American Homes 4 Rent for example, reports just one paid staff person (including in-house maintenance people) per 100 homes[10] and Colony Starwood has just 304 employees managing over 32,000 homes.

Some companies also told investors that they reduced operating costs by "conducting better tenant education". For instance, in a quarterly reporting call in February 2017, Colony Starwood's executive management staff said the company has reduced maintenance costs by nearly 9%, in part, by "educating tenants about their responsibilities". "We educate our residents about their responsibility for maintaining their home... and [provide] a wide ranging suite of self-help tools developed for driving down costs for us and our residents," executives said (Colony Starwood Homes 2017c). Additionally, American Homes 4 Rent said that all of their maintenance calls are forwarded to a central call center where they try to "resolve the problem over the phone" or "assist the tenant in fixing the issue" (American Homes 4 Rent 2017).

Companies have also responded to concerns about maintenance by developing greater "economies of scale" through "strategic mergers and acquisitions". As stated in Invitation Homes' Prospectus "through disciplined market and asset selection, we designed our portfolio to capture the operating benefits of local density as well as economies of scale that we believe cannot be readily replicated. More than 95% of our revenue for the three months ending on September 30, 2016 was earned in markets where we have at least 2,000 homes, [thereby] driving significant operational efficiency" (Invitation Homes Inc 2017b: 1). Increased market power through mergers and acquisitions not only allows companies to achieve "economies of scale", it also ensures that companies who entered the market early can maintain a permanent competitive advantage. Companies that would like to enter the single-family rental market cannot acquire the deeply discounted homes that were available during the foreclosure crisis, and thus face substantial barriers to entry. These barriers to entry allow existing companies to retain market dominance.

RISK 3: LOWER HOME PRICE APPRECIATION:

Investors also cite lower-home price appreciation as an additional concern. In 2012 and 2013, companies were able to acquire homes at extremely low prices through bulk purchasing of foreclosed homes and by purchasing distressed loans. Companies and investors are now worried that "future acquisitions may have lower yield characteristics" (Colony Starwood Homes 2017a: 10). Most reports to investors cite the availability of foreclosed homes as a "supply driver" for the single-family rental industry. For example, Invitation Home's S-11 filing, reported that while the percentage of home loans in default has declined from a peak of 9.67% in 2009, as of December 2016, roughly 3% of home loans are still at risk of default (Invitation Homes Inc 2017a). The ability to acquire foreclosed homes can assure investors of far higher yields than attempting to purchase homes through normal sales and many single-family rental companies express concern over government programs that may reduce their supply of foreclosures in the pipeline.

Single-family rental companies also try to maximize home price appreciation by investing in "strategic markets". As Colony Starwood describes, "When pursuing home acquisitions, we focus on markets that we believe present the greatest opportunities for home price appreciation, that have strong rental demand and where we can attain property operating efficiencies as a result of geographic concentration of assets in our portfolio" (Colony Starwood Homes 2017a: 1). To prove that they are making "good investment decisions", single-family rental companies report home-price appreciation for markets where they own homes and compare it to national trends. For instance, Invitation Homes reported that home appreciation in "their" markets was 18% higher than home price appreciation in the rest of the country (Invitation Homes Inc 2017a). Interestingly, firms seem to acknowledge their own role in potentially

[10] Estimate for American Homes 4 Rent data presented at the quarterly call conducted in February 2017. Estimates for Colony Starwood based on 2016 10-K annual report.

inflating home price values, contributing to speculative bubbles, and adding to market risk. For example, in American Home's for Rent's prospectus, the company's states that "Acquiring properties during periods when the single-family home sector is experiencing substantial inflows of capital and intense competition may result in inflated purchase prices and increase the likelihood that our properties will not appreciate in value and may, instead, decrease in value" (American Homes 4 Rent 2013a: 40)

RISK 4: POLITICAL RISKS

After a slew of negative news articles and damning reports by community advocacy organizations, investors and companies became fearful of a negative political environment that would hinder their business practices. "Numerous tenant rights and consumer rights organizations exist throughout the country and operate in our markets, and we may attract attention from some of these organizations and become a target of legal demands, litigation and negative publicity..." Invitation Homes prospectus stated "such organizations might... attempt to bring claims against us on a class action basis for damages or injunctive relief and to seek to publicize our activities in a negative light...We cannot anticipate what form such legal actions might take, or what remedies they may seek" (Invitation Homes Inc 2017b: 27). Invitation Homes went on to warn investors that these organizations "may lobby local county and municipal attorneys or state attorneys generals to pursue enforcement or litigation against us, may lobby state and local legislatures to pass new laws and regulations to constrain or limit our business operations." Similarly, Silver Bay wrote in an investor report that "Consumer organizations have become more active and better funded in connection with mortgage foreclosure-related issues... some of these organizations may shift their litigation, lobbying, fundraising and grass roots organizing activities to focus on landlord-tenant issues" which could put the company at risk. These companies are particularly worried that local advocacy groups will organize for rent control. Silver Bay's prospectus states that rent control laws would negatively affect their rental income and expressed concern that rent control may gain political traction. "Especially in times of recession and economic slowdown, rent control initiatives can acquire significant political support. Were rent control to unexpectedly become applicable to certain of our properties, the effects on both our rental income and the value of such properties could be material and adverse" (Silver Bay Realty Trust Corp 2015: 30).

A significant portion of investor-owned homes are located in areas with home owner's associations, meaning that rental companies are not only beholden to local, state, and federal laws, but also homeowner association restrictions as well. "The HOAs in which we own our properties may enact onerous or arbitrary rules that restrict our ability to restore, market, lease or operate our properties in accordance with our investment strategy or require us to restore or maintain such properties at standards or costs that are in excess of our planned budgets," Invitation Homes stated in the company prospectus (Invitation Homes Inc 2017b: 31). HOA's have the ability to impose limits on the number of rental properties in an area, which may force single family rental companies to sell their homes and lose the potential rent revenue.

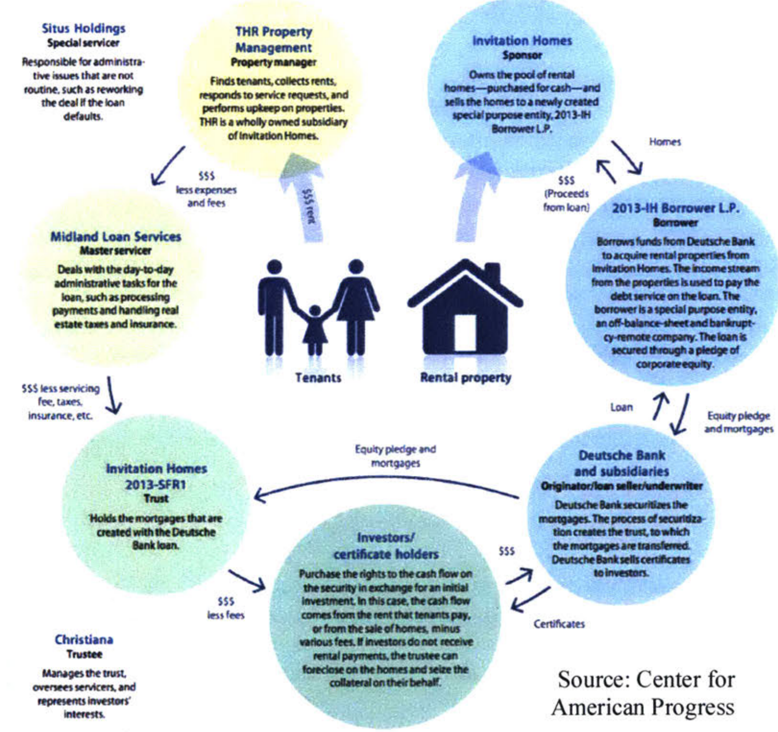
In order to manage political risk, companies have formed advocacy and trade organizations that engage in industry-wide lobbying, cultivate relationships with elected officials, and monitor local and state laws. For example, many single-family rental operators are members of the National Rental Home Council (NRHC) – a non-profit created by Colony Starwood in order to combat negative press and "communicate the industry's value proposition, promote and defend the industry to stakeholders, policymakers and regulators, and reframe the existing stigma around renters" (National Rental Home Council 2014). In addition to collective advocacy, single-family rental companies and investors also individually monitor laws related to rent control and prevailing wages. For example, during Invitation Homes' 2017 first quarter quarterly earning call, a financial analyst from a housing research company asked if the company was aware of a bill in California related to prevailing wages for construction jobs, to which the CEO responded, "we are watching it" and mentioned that prevailing wage, rent control,

and other legislative activity in California may create "headwinds for the industry" (Colony Starwood Homes 2017c).

PERCEIVED RISKS AND RISK MANAGEMENT FOR DEBT INVESTORS:

In order to attract debt investors, single-family rental companies like Invitation Homes, Colony Starwood, and others had to prove that they were effectively addressing risk through all of the business practices mentioned above, as well as establish additional contractual and legal protections to further protect debt securities investors. To understand the "risk engineering" implicit in securitization, this section will first provide a brief overview of how single-family rental securitization works and the role risk management plays in its legal structures.

Figure 3: The Structure of Securitization:
An Example Using Invitation Home's 2013 Deal



Source: Center for American Progress

The securitization of single-family rental housing is fairly similar to the securitization of other assets such as student loans, commercial debt, and even municipal bonds. Securitization allows lenders and banking institutions to repackage relatively illiquid assets into standardized, transparent and interest-bearing financial products for resale in global securities markets. By converting illiquid commodities into liquid (sellable) resources, securitization reduces the uncertainty of buying and selling risky assets like mortgage loans and real estate. For instance, in single-family rental securitization, investors do not have to purchase an entire rental home (which would require high transaction costs and potentially high risk), instead they can purchase pieces of the debt owned by real estate companies. The pieces of debt are backed by the rents and mortgages of homes across the country and packaged to appeal to investors with different risk profiles. The process of taking diverse homes in disparate local markets and packaging them into financial products with common features and characteristics allows for a process that Gotham describes as "creating liquidity out of the spatially fixed" (Gotham, 2009).

Creating liquidity from the spatially fixed involves a number of highly technical and legally binding arrangements and agreements. In the case of single-family rental securitization, the rental company (like Invitation Homes, Colony Starwood, etc) creates a subsidiary special purpose vehicle often referred to as a "Borrower". The Borrower obtains a loan from a major financial institution like Deutsche Bank to buy properties from its parent company (ie Invitation Homes or Colony Starwood) and the Borrower pledges to distribute future rental incomes from the homes to pay back the loan. The special purpose

entity is "bankruptcy remote", meaning that if the rental company (Invitation Homes, for example) fails, the special purpose entity would still be able to pay security investors. Additionally, the special purpose entity exist "off balance sheet" which means that the parent company (Invitation Homes or Colony Starwood) does not have to include the debt in their financial reports and can thus appear more financially attractive to investors. Special purpose entities thus provide risk protection for securities investors while allowing the single-family rental company to take on greater leverage. In the next step of securitization, the bank that issued the loan then creates a trust and transfers the mortgages of the securitized homes into the trust. This allows the home mortgages to serve as collateral in the event that the loan defaults due to low rent payments or high operating costs. The bank then issues debt securities by grouping the entrusted homes into tranches and working with rating agencies to evaluate the risk of each tranche (or slice) of homes. Investors (also called certificate holders) purchase the debt securities in the global financial markets and decide which tranches to purchase based on their preferred exposure to risk. This process is what creates the "liquidity" described above and provides further risk protection for investors.

After the mortgages are put into a trust and investors have purchased the securities, a "Master Servicer" collects payments from rents and property sales and distributes the payments to the investors/certificate holders. The Master Servicer continues to service the loan, unless there is a default. In the case of a default or pending default, a "Special Servicer" intervenes to rework the terms of the loan or sell properties if necessary. The primary purpose of the Special Servicer is to maximize the value to the trust. Typically, the Special Servicer will work with the borrower to avoid default, however if this cannot happen, the Special Servicer can try to sell properties or foreclose on the individual mortgage loans. The Special Servicer also has the ability to terminate the property manager on behalf of the trust if the property manager is deemed to be inadequate (Chen, 2016). Thus the Special Servicer can exert substantial power to pressure property managers into maintaining homes to reduce the risk of vacancies and turn-over. However, the Special Servicer can also pressure companies to increase revenue by containing maintenance costs, increasing rents, aggressively evicting delinquent tenants, and charging additional fees. The Special Servicer can therefore act as a kind of "structural adjustor" that maximizes the return to investors at potential other costs to tenants and community residents.

As mentioned in Chapter 1, Invitation Homes issued the first single-family rental security in October of 2013 after several years of negotiation with regulators and rating agencies. Because of the novelty of the asset class, the "industry" had to develop new sets of regulations and risk assessment techniques before they could structure this new security class. According to Elora Raymond at the Federal Reserve Bank of Atlanta "discussions in 2012 and 2013 about the rating and pricing of an SFR security focused on three gray areas. The first was housing market risk. Would housing markets, and the underlying value of investor-owned homes, appreciate on a market-wide basis? The second was property management risk. Could scattered-site, single-family homes be managed cost-effectively? And with a lack of historical data for scattered-site, single-family rentals, how could credit rating agencies predict vacancy rates, maintenance costs, and income streams with any precision?"(Raymond 2017). While single-family rental companies were expected to address some of these concerns through the management practices discussed earlier, the issuers and evaluators of securities also had to design complex risk structures to address each of these issues as well.

Raymond discusses how in early conversations regarding single-family rental securitization, regulators and rating agencies favored a structure in which the borrower, not the trust, would retain ownership of the properties and instead of mortgages, equity pledges would collateralize the securitization. The assumption was that equity pledges would protect investors even in the face of unexpected property maintenance costs. However, equity pledges did not protect investors in case of default and would not be deemed "bankruptcy remote" (Clark 2013). Thus an equity pledge "could be vulnerable to material consolidation in the event the sponsor were to become bankrupt or if the sponsor were to mismanage the properties, either selling them or borrowing further and creating competing liens on the properties" (Raymond 2017). As a result, both Moody's and Knoll's rating agencies stated they would only allow

securitization using equity pledges for Baa or A rated investments, not the more desirable, AAA or AA rated bonds.

Ultimately single-family rental securities represent a new class of asset-backed securitization that combined characteristics of traditional residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS"). Like RMBS, the underlying assets are single-family homes, but like CMBS, the underlying borrower is a business, not an individual homeowner, and the cash flows comes from rental, rather than mortgage, payments. The structure of the securitization reflects a priority for enhancing an investor's ability to take ownership and sell the homes in the event of a default and deprioritizes the need to maintain the home as a rental. Other possible structures of securitization could have prioritized the maintenance of rental income in the event of default, but would have provided less collateral assurance for investors. As Fields describes, "this debate and questioning, and the hybridity of the products and ratings systems, highlight the single-family rental asset class as a work in progress: something in the process of coming together and being invented along the way" (Fields 2015). Housing policy makers, tenant advocates, and impacted communities were not included in this process of invention and were likely unaware that it was even occurring.

The current hybrid structure includes the following key provisions design to further minimize investor risk:

- Ratings and Disclosure: In order to provide investors with greater disclosure, all securities obtained ratings by rating agencies. Rating agencies rank the different tranches of securities and bonds AAA, AA, A, BBB, BB, and B depending on the level of risk. Because single-family rental housing represented a new asset class, rating agencies developed a new methodology based on a combination of existing residential and commercial evaluations. In order to assess the risk of single-family rental housing\ securities to investors, rating agencies use quantitative methods to evaluate the probability of default and the amount of financial loss to investors in the event of nonpayment by the borrower. To conduct the analysis, the issuer of the security provides rating agencies with data on property values, rental amounts, maintenance costs, property locations, and other relevant information. The rating agencies then use multivariable regression analyses` to "test" the value of the homes and the rental income under a variety of economic scenarios – including declining rents, lower home values, etc. Different rating agencies have developed different methodologies for evaluating single-family rental securitization. For example, Kroll and Morningstar use a CMBS model to determine the probability of default and an RMBS model to determine severity. This approach combines both an income/expense approach for the analysis of yields and a home price appreciation analysis for default. Moody's, on the other hand, has avoided evaluating securities based on rental income because the agency said it lacked reliable data on vacancy rates, maintenance costs, and other key factors. Instead, it bases ratings on the strength of investor claims on the homes in the event of default and the estimated sales prices of the underlying properties in a distressed housing market (Raymond 2017). This inventive and contested risk analysis methodology again illustrates the amount of negotiation and relational constructions necessary for the "emergence" of single-family rental housing as a "free" and "liquid" asset class.
- Tranching: As mentioned previously, most single family rental bonds are divided into six main categories, or tranches of risk-classes. Investors in Triple-A rated bonds (which make up the majority of securitization deals) are the first to receive cash flows and earn 1.15 percent interest above the fluctuating interest rate. Investors, in the BB, the riskiest tranch earn much higher interest (3.65%) but are the first to stop receiving payments if the loans underperform. The main idea behind tranching is that investors are able to choose their "risk tolerance" and are rewarded for taking higher risk by receiving higher interest rate payments.
- Collateral: All single-family rental securitizations are backed by the value of the underlining homes. If the rental cash flow falls below the required amount, the servicer will sell the underlining properties in order to pay the unpaid portion of the loan. According to analysts,

single-family rental deals are "overcollateralized" meaning that the value of the collateral far exceeds the loan. For example, Invitation Homes initial securitization deal had a collateral of $638M and a loan value $479M (Raymond 2017). This overcollateralization assuages debt investors fears that unreliable rental incomes and potentially high maintenance costs could result in financial losses.

- Prepayment Penalty & Buyouts: Most securitization deals have a prepayment penalty clause that discourages companies from paying down their loans too quickly. Companies that choose to prepay their loans are typically required to pay a "spread maintenance premium" to compensate investors for future interest losses. Additionally, companies must pay required "release premiums" if they choose to remove properties from securitization. If a property fails to comply with certain rules or covenants established by the lending bank, the borrower will be required to buy out the property from the portfolio. Some securitizations also include "tenant covenants" that if violated would also require buyout (Chen 2016). Tenant covenants, which are not disclosed to the public, presumably restrict tenant selection for properties involved in securitization and may be a concern for housing advocates.
- Interest-Rate Caps: The interest paid to securities investors are set by LIBOR (London Interbank Offer Rate). As part of the securitization contract, the rental company (Invitation Homes, Colony Starwood, etc) are typically required to purchase an interest-rate cap to hedge against LIBOR increases. An interest rate cap is a derivative that allows the borrower to guard against unexpected interest rate increases by offering to pay a fixed payment if the interest rates increase beyond an agreed upon rate. The derivative thus protects the borrower from unforeseen rate changes and protects the investor against both default and the lost opportunity cost of investing in something else with a higher interest yield.
- Government Backing: As mentioned in Chapter 2, Invitation Homes received a 10-year loan from Wells Fargo that will be securitized and backed by Fannie Mae, the government sponsored entity. According to Invitation Home's 2017 First Quarter Earnings Call, the Fannie Mae loan provides greater flexibility than previous securitization deals including more "substitution rights" for collateral and the "opportunity to reduce the number of homes in the collateral pool if cash flows and asset values increase over time" (Invitation Homes 2017). While the deal is still in process and there are very few details about the legal arrangements, government credit support provides investors with greater confidence and greater protection from default. As mentioned previously, Fannie Mae did not include housing advocates or housing policy experts in negotiating the deal and there are no requirements for Invitation Homes to provide affordable housing or tenant protections as part of the arrangement.
- Continuous Risk Monitoring: All of the rating agencies conduct continuous risk monitoring of each securitization deal and the agencies publish the results of their research every quarter and every year. The risk monitoring allows investors to regularly monitor the bonds' performances and rates of default and "upgrade" or "downgrade" the bonds as necessary.

Perceived Risks and Risk Management for Equity Investors:

According to interviews with investment banks and rating agencies, investors in the debt market, particularly those in the higher tranches, want steady, reliable returns. Equity investors, on the other hand, may be more willing to take risks and put greater pressure on companies to increase yields. As such, whereas securitization requires an extensive amount of risk mitigation to protect investors, the equities market only requires disclosure and access to information.

Based on the prospectuses provided by the three publically traded firms, additional risks posed to equity investors include: insufficient cash flow to cover both debt and equity, concentrated shareholder power, and limited disclosure of executive compensation. These risks are mitigated through special shareholder structures and increased disclosure.

INSUFFICIENT CASH FLOW FOR BOTH DEBT AND EQUITY:

Because of the legal debt contracts, companies must make debt payments first before distributing equity payments to investors. As stated in Invitation Homes Prospectus "Any additional debt or equity securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock" (Invitation Homes Inc 2017a: 37). All of the single-family rental companies have high amounts of debt, which concerns investors. For example, in Colony Starwood's 2016 fourth quarter earnings call, a Japanese investment bank flagged the company's high leverage and high debt-to-earnings ratio (which is currently 12:1), as a potential concern. However, rather than express explicit discontent, the investment banker stated "Your leverage still sits high..." and asked "what's the target for year end 2017 and what do you think is the right long-term target and when do you think you will get there?" The framing of the investor's question illustrates the idea that single-family rental companies have the capacity and expertise to self-regulate their own financial risk.

Investors, particularly institutional investors and investment banks, are, however, encouraged to monitor a company's risk by reviewing financial statements and examining debt to income ratios and other accounting metrics. Yet, as mentioned previously, securitization debt is "off balance sheet' meaning that it is difficult for investors to fully understand the amount of leverage a firm may have.

If a company is able to achieve a lower debt-to-earnings ratio, rating agencies like Standards and Poors and Moody's will rank the company as "investment grade" indicating that the company has a low probability of default. "Investment grade" designation allows companies to borrow at lower costs and indicates greater "credit worthiness". Thus far, American Homes 4 Rent is the only single-family rental company with an "investment grade" rating (BBB-). American Homes 4 Rent currently has approximately $1 of earning for every $7.5 of debt, compared to $9.9 of debt for Invitation Homes and $13 of debt for Colony Starwood (PR Newswire 2017).

CONCENTRATED SHAREHOLDER POWER:

Private equity firms and large institutional investors continue to control a majority share of ownership for most publically traded, single-family rental companies. Concentrated shareholder power can create additional risks for new or smaller investors. For example, Invitation Homes is considered a "controlled company" under the rules of the NY Stock Exchange and is therefore exempt from corporate governance structures that require independent oversight. The board of Invitation Homes is comprised of individuals nominated by Blackstone, and Blackstone must consent to any changes in the composition of the board. According to the prospectus, as long as Blackstone owns a "significant percentage" of Invitation Home's stock, the private equity firm will be able to "exert significant influence with respect to our management and business plans and policies, including the election and removal of our officers". Invitation Homes warns that the concentration of ownership "could deprive you [the investor] of an opportunity to receive a premium for your shares of common stock...and ultimately might affect the market price." Blackstone also does not have the duty to refrain from engaging, directly or indirectly, in the same business activities as Invitation Homes and thus may "have an interest in pursuing acquisitions, divestitures and other transactions that, in its [Blackstone's] judgment, could enhance its [Blackstone's] investment, even though such transactions might involve risks to you [the investor]." Blackstone's control over Invitation Homes may pressure the single-family rental company to make decisions catered to the interest of shorter-term private equity investors, potentially at the risk of the long-term viability or sustainability of the company. A demand for short-term payoffs and returns could influence tenants' experiences and the patterns of acquisition and home sales in local housing markets.

In the case of American Homes 4 Rent, Wayne Hughes (the founder of the company) and the Alaska Permanent Fund (the company's original funder) continue to own a significant share of stock. Since American Homes 4 Rent is not technically a "controlled company", it has instead created different

classes of stock with different voting rights and promised yields. The company has issued preferred stock (more similar to bonds) that have a guaranteed return and several classes of common shares with different rights to governance and profit distributions. Class A common shares are nearly entirely owned by the company's executive leadership and the Alaska Permanent Fund. Class A and B shareholders are entitled to greater distributions than class C and D investors and have the ability to vote on company decisions. Class E investors, on the other hand, do not have any voting rights. Again, this disparity in corporate voting power and governance could lead the company to make decisions that disproportionately benefit the interest of a few powerful investors, at the potential cost of tenants' experiences, neighborhood stability, and the long-term returns of smaller investors.

LIMITED DISCLOSURE OF EXECUTIVE COMPENSATION:

The Securities and Exchange Commission (SEC) requires companies to release a variety of information to investors including audited financial statements, potential risks, executive compensation, and other relevant data. Because single-family rental companies are new and fall under the SEC category of "emerging growth companies", they are not subject to the same level of disclosure and accounting standards as other publically traded firms and do not have to disclose executive compensation. For "emerging companies", stockholders are not able to vote on executive compensation packages or "golden parachute agreements". Companies can remain in the "emerging growth" category for up to five years or until the market value of the common stock exceeds $700 million or the company's debt issuances exceed $1 billon. A lack of corporate oversight may encourage executives to pursue policies that increase individual compensation and potentially deprioritizing investment in property maintenance

As shown in this chapter, the creation of single-family rental housing as an investable asset class required ongoing negotiation amongst various actors to define and mitigate potential investment risks. The resulting risk engineering impacted corporate business and management strategies, legal debt contracts, the amount and type of disclosure, and the structure of corporate ownership. Through the process, risk was defined and reinforced within a specific discourse that determined whose risk should be mitigated and who should do the mitigating. In recognizing access to capital markets as a contested process rather than a product of a "free market", housing advocates, planners, and community development professionals can begin to question who is allowed to participate in the negotiation process, why, and what the potential impacts may be. The next chapter will examine the single-family rental market's risk assessment process by critically analyzing how conceptions of risk and the identities of risk actors developed through a dominant financial discourse.

CHAPTER 5: CONSTRUCTING THE IDENTITIES OF RISK ACTORS

The previous chapter describes the way in which the financial industry viewed "risk". Financial actors established a discourse and set of practices that created a narrow view of risk and hazard centered upon investor return and mitigated through corporate business practices, legal structures, and disclosure. This discourse, which is used by actors to understand, quantify, and act on risk, reinforces the notion that "investors" and "companies" operate outside of society and within a construction called the "market". While industry narratives acknowledge that societal trends can cause risk to investors, investors and companies do not conceive of themselves as causing risk to society. Perhaps, this is because there is no formal requirement or structure designed for financial actors to evaluate risk in this way. The financial industry is expected to "self-regulate" and is entrusted with both the power and legitimacy to ensure that its actions will not create volatility or increased economic insecurity for those outside of the "market". This illustrates another powerful role of discourse: the ability to establish categories of identity and ascribe power to those specific identities through notions of "legitimacy" (Maguire, Hardy, & Lawrence, 2004). By representing individuals, objects, and activities in particular ways, dominant discourse allows certain actors to construct what constitutes a risk and to decide how to avoid or manage it by calculating the nature, extent, and likelihood of possible hazards under different scenarios (Dean, 1999; Lupton, 2013). Hardy and Maguire (2016) argue that the central categories of identities constructed through risk discourse are:

- risk assessors: actors who determine the nature, level, and probability of harm, damage, or loss
- risk managers: actors responsible for reducing risk to some level deemed acceptable
- risk producers: actors whose actions potentially generate hazards or cause harms, damage, or losses
- risk bearers: those harmed or who bear damage/losses when hazards are realized
- risk arbiters: those who are responsible for overseeing responses to risk incidents as they unfold in real time
- and risk adjudicators: who review incidents where risks have (or have almost) materialized to determine, after the fact, who produced the risk and who bore it, as well as who should have assessed or managed it more effectively. I do not include an analysis of risk adjudicators when analyzing the single-family rental market since, to date, there have been no recognized failures to manage risk (at least risks as defined by the financial industry).

These identities are given meaning and legitimacy through dominant risk discourse which ascribes them with authority and determines the constraints, power, roles and hierarchy of each risk actor. The legitimacy and agency of risk actors is tied to a construction of "expert knowledge" which privileges the knowledge and understanding of some (financial managers, investment bankers, rating agencies etc) over the knowledge and understanding of others (tenants, community developers, planners, etc).

Using Hardy and Maguire's analysis, this chapter will analyze the dominant discourse of risk discussed in Chapter 4 to determine how the financial industry constructs the identities of risk assessors, risk managers, risk producers, and risk bearers. Chapter 6 will then discuss how the financial industry's conception of "risks" and "risk actors" in the single-family rental housing industry shifts uncertainty and potential hazards onto tenants, prospective homebuyers, and local communities.

RISK ASSESSORS:

The dominant discourse of financial risk ascribes the role of risk assessors to industry actors who are assumed to be able to act objectively to identify potential reasons for decreased profits or investor losses. General business and management risks facing single-family rental companies are expected to be assessed by the companies themselves and disclosed to investors through financial statements, quarterly reports, etc. Industry-funded analysts and brokers also act as risk assessors for their clients by

supposedly disclosing objective information about a company's financial conditions. Analysts from investment banks prepare reports on the single-family rental housing market for potential investors, however, nearly all of these "neutral" banking firms receive direct or indirect funding from major single-family rental companies. In an interview with a leading investment bank that is heavily involved in the securitization of single-family rentals, an analyst told me that there is a "Chinese Wall" between the research division and the investment banking division of the organization. Later, however, he admitted that the information he depends on to analyze the industry relies on "maintaining close relations" with the "leaders in the field" (like Invitation Homes and Colony Starwood). The analyst did not seem to recognize or acknowledge this potential conflict of interest.

For publically-traded companies, the Securities and Exchange Commission (SEC) acts as a facilitator of risk assessment by establishing what information companies must disclose to investors. The SEC was created by Congress after the Great Depression to "restore investor confidence in the capital markets by providing investors and the markets with more reliable information and clear rules of honest dealing." Thus the mission of the SEC is "to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation" (U.S. Securities and Exchange Commission 2013). The Commission primarily focuses on requiring public disclosure and regulating insider trading, accounting fraud, and other forms of misinformation and has no authority to regulate what should or should not be financialized.

A consortium of investor analysts, brokers, and websites like the 247WallSt, Minyanville, Stockwits, Streetinsider, and WallStCheatSheet, monitor SEC filings and market trends in order to provide recommendations to investors on when to buy, sell, or hold stocks. Because these companies provide regular communication and oversight to investors they provide real-time risk assessment aimed at reducing investors' losses and maximizing gains. Shareholders, analysts, and investment bankers are also allowed to attend meetings or quarterly earnings calls to receive additional information about a company's financial performance. Investment analysts affiliated with major firms like KBW, JP Morgan, Bank of America, Morgan Stanly, Zelman and Associates, and Green Street Advisors also attend these quarterly meetings or calls and use the information to publish reports on firms and the industry.

For securitization deals and other forms of debt issuance, rating agencies serve as the primary risk assessors. Rating agencies provide supposedly objective ratings for all tranches of rental-backed securities and for companies' preferred stock issuances (like that issued by American Homes 4 Rent). As discussed in Chapter 4, ratings depend on statistical analysis and economic modeling of different market scenarios to determine "risk". Ratings are extremely important to companies because a higher rating establishes demand and determines the interest rates a company will have to pay to investors. Additionally, retail banks, pension funds, money market funds, and insurance companies are prohibited by law from investing in securities or preferred stock below a certain rating.

Rating agencies primarily serve as prospective risk assessors by rating tranches of debt securities before they come to market. However, they also conduct regular monitoring of all single-family rental securitization deals and release regular "surveillance reports". These "surveillance reports" use updated information on rental rates, vacancies, maintenance costs, and home price appreciation in order to assess the original rating and provide additional disclosure to investors. In April of 2017, Morningstar Credit Ratings "upgraded" tranches in Colony American Homes first securitization deal from 2014 (CAH 2014-1) because the rental income was higher than the original projections. As demonstrated by CAH's "upgrading", rating agencies not only provide prospective risk assessment but also provide real time analysis based on the detailed property-level data provided by single-family rental companies.

Since the foreclosure crisis rating agencies have faced increasing criticism for being 'in the pockets" of Wall Street and for creating a "revolving door" between rating agencies and corporate financial interest. Companies have to pay credit rating agencies in order to have their products rated, which creates a

conflict of interest. There are also personal and professional relationships between rating agencies and the companies being rated, which may further question the objectivity of the ratings. Finally, because the largest three rating agencies (Moody's, S&P, and Fitch) control roughly 95% of the industry, critics have raised concerns about whether a private, industry-funded oligopoly can be trusted to adequately evaluate investor risk. These companies are also not subject to any government regulation and their credibility depends on the "public faith of subscribers" (Zamagni 2009).

RISK MANAGERS:

Within the dominant discourse of risk, risk managers are assumed to be the companies themselves and the individual investors. Companies face pressure from investors to reduce the risk of default by increasing rental yields, decreasing operating costs, and ensuring greater home price appreciation. The companies are expected to develop the technology, infrastructure and market concentration necessary to reduce risks and maximize profits. Investors are expected to use the information provided by the SEC and the rating agencies to decide when to buy, sell, or hold stocks or bonds. With single-family rental securitization deals, the special servicer manages risk by selling assets and acting as an overseer of the property management company in the event of a default or near default, as discussed in Chapter 4. The creation of a special servicer provides assurances of financial returns to investors, even if the single-family rental company fails or declares bankruptcy.

RISK PRODUCERS:

In the single-family rental market, investors, companies, and rating agencies describe tenants as the greatest risk producers. The industry is dependent on tenant preferences and tenants' ability to pay rent in order to generate yields. Additionally, tenant preferences could shift as a result of greater housing availability or greater access to homeownership. As discussed in Chapter 4, single-family rental companies have attempted to protect themselves against the risks posed by tenants through increased resident screenings, greater dependence on technological monitoring, and streamlined processes for evictions. Yet at the same time, in order to normalize the industry and reduce investors' perceived risks, single-family rental companies and their new industry associations, have fought against conceptions of renters as the "poor and irresponsible" members of society by trying to redefine the image of renters as "asset light millennials" and "good responsible neighbors". Through this messaging the single-family rental industry attempts to redefine renters as valuable members of communities in order to both counter investors' fears that the industry is unstable and to reduce political opposition to their enterprises.

In addition to renters as producers of risk, the dominant discourse of risk also conceives of the properties themselves as risky. If the properties face increased maintenance costs or decreased demand it could reduce rental yields. Single-family rental companies use selective acquisition and disposition strategies to mitigate this risk. Lastly, local market actors such as developers, city planners, and local authorities may affect the supply of housing or enact additional government regulation within the areas where single-family rental companies invest. Local community organizations could also create political controversies that lead to greater government regulations. Thus, in the dominant discourse of risk, all of these actors are also "risk producers".

RISK BEARERS:

Under the dominant discourse of financial risk, investors are the only risk bearers and most financial regulation exists to reduce risk to them through disclosure. There is no discussion of the potential risks born by tenants, local communities, or prospective homebuyers. Yet even amongst investors, there is a hierarchy of risk bearers constructed through tranches of securities and classes of stocks. This hierarchy is formalized and enforceable through complex legal structures.

Risk Arbitrators:

Risk arbitrators, those who are responsible for overseeing responses to risk in real time, are by in large, the same as risk managers under the dominant discourse of financial risk. Just as investors, investment banks, and special servicers try to proactively manage investor risk, they similarly act in real time to respond to increasing risks in the market. They do so by selling stocks (in the case of investors and investment bankers) or by selling properties (in the case of a special servicer).

Apparent Non-Actors

There are a number of regulatory actors that have some potential legal or policy oversight of the industry but have thus far done very little to assess or manage the risks associated with the institutionalization and financialization of single-family rental housing. These agencies include: the Financial Stability Oversight Council (FSCO), the Federal Housing Finance Agency (FHFA), the Consumer Financial Protection Bureau (CFPB), and bank regulators including the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC) and the Office of Controller of the Currency (OCC). The absence of these agencies in the risk assessment and mitigation process further illustrates how the financialization of single-family rental housing has occurred without democratic deliberation or oversight.

The FSOC, for example, which is supposed to identify and respond to emerging risks to the financial market, briefly mentioned single-family securitization in its 2014 annual report but did not clearly identify the agency's role or perspective on the financial development. The report describes the emergence of the single-family rental asset class as a post-crisis innovation with "uncertain impacts for housing finance market, renters, and investors" and argues that council member agencies should "remain vigilant" (Financial Stability Oversight Council 2014: 115). However, the report does not provide any details on *how* or *who* should be "vigilant" and what their "vigilance" should address. The subsequent 2015 and 2016 reports only state that the rental property securitization market is growing and provide no further analysis or recommendations (Financial Stability Oversight Council 2015: 51, Financial Stability Oversight Council 2016: 43)

The Federal Housing Finance Agency (FHFA), which provides regulatory oversight of Fannie Mae and Freddie Mac has been similarly absent in the risk mitigation discourse. As discussed in Chapter 1, Fannie Mae recently announced that it will securitize and provide credit support for Invitation Home's recent loan from Wells Fargo. According to interviews with federal policy makers, FHFA was likely unaware of the deal until the last minute and was unable to influence the terms or requirements. This raises concerns about the ability of the agency to effectively regulate the government sponsored entities, particularly in the face of industry lobbying from single-family rental companies. The FHFA's 2016 Performance and Accountability Report, released in November 2016, made no mention of the deal or even single-family rental housing more broadly (Federal Housing Finance Agency 2016).

The Federal Housing Administration (FHA), which provides mortgage insurance on loans provided by Fannie Mae, Freddie Mac, and other approved lenders, also has the power to assert greater regulatory oversight of the single-family rental market, but has thus far chosen not to do so. Currently, FHA only provides loans for single-family, owner occupied housing or larger multifamily rental properties, and does not provide loan guarantees for single-family rental investments. Single-family rental companies have lobbied heavily for inclusion in the loan guarantee program (Parker 2017) and in 2015, HUD and the FHA commissioned a report to evaluate the impact of expanding FHA loan guarantees to single-family rental investors (Burnett et al. 2015). It is unclear from the report whether the federal agency is interested in providing capital to smaller landlords who currently cannot compete with a private-equity backed giants like Invitation Homes or Colony Starwood, or whether the agency wants to allow the largest rental companies to access future loan products as well. Providing capital to smaller investors may decrease the dominance of the institutional players and allow the FHA to assert greater regulatory power over tenant protections or affordability requirements.

The Consumer Financial Protection Bureau (CFPB) which was created in 2011 to better protect financial consumers through "empowerment, enforcement, and education", has expressed an interest in regulating single-family rental companies. However, because rents are not considered "financialized products", the agency does not have regulatory oversight over most single-family rental companies (with the exception of those operating a rent-to-own model). The CFPB has become a prominent advocacy organization within the federal government, and in the past five years, has launched several investigations and lawsuits related to credit card debt, student loans, auto loans, and subprime mortgage lending (Lazarus 2015). The agency's inability to regulate large-scale landlords and rental companies makes tenants more vulnerable to exploitive rent contracts and usury rents.

Bank regulators including the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC) and the Office of Controller of the Currency (OCC) face similar constraints in their ability to enforce the Community Reinvestment Act (CRA). The Community Reinvestment Act requires large financial institutions to invest in low- and moderate-income communities of color and empowers regulators to conduct examinations of banks' lending and investment practices. Because private equity firms, unlike banks, are not subject to CRA requirements there is no requirement that the financial entities provide products or services to traditionally marginalized areas. Rather than regulate the emerging asset class, CRA regulation may, in fact, encourage single-family rental speculation. Using the industry rationale that single-family rental companies provide a "community service" by acquiring and rehabilitating homes, banks could claim that supporting companies like Colony Starwood or Invitation Homes through loans and securitizations warrants CRA credit. No banks have currently included single-family rental loans as part of their CRA reporting documents, however, they may do so in the future, particularly if there is continued industry support from Fannie Mae and Freddie Mac. The ability to claim CRA credit would provide even greater capital to single-family rental companies and potential divert lending away from other projects like affordable housing or small business assistance.

Lastly, as mentioned in Chapter 3, federal, state, and local lawmakers have not responded to the institutionalization and financialization of housing in any tangible way. In 2014, Congressmember Mark Takano from California's Riverside County called for a congressional hearing to examine the rise of single-family rental securitization, but the hearing never occurred due to a lack of political support. Similarly, as a direct response to the increased rise of single-family rental companies, California State Assemblymember Ian Calderon proposed legislation in 2016 to cap the number of single-family homes that could be used as rental units. Calderon later amended the bill to call for greater state monitoring of the largest single-family rental investors, but that bill died in committee. Another 2016 Calderon bill that attempted to limit California pension fund's ability to invest in single-family rental securities also failed to garner enough political support to pass. To my knowledge, there has been no local government responses to address or monitor the institutionalization or financialization of single-family rental housing and based on the required community development plans prepared by local governments, none of the most impacted jurisdictions have developed any concrete policies or programs to address the sudden changes in the political economy of single-family rental housing (see Chapter 2).

The ability of the financial market to "self-regulate" risk and the failure of any federal, state, or local agency to intervene in the risk management process reflects the extent to which housing policy and community development have overlooked the importance of capital markets. As discussed in Chapter 2, the absence of public policy in the capital markets is, at least in part, a result of an unarticulated national vision for what housing could or should be. As an analyst described during a panel presentation at a 2015 single-family rental conference, "what is most striking about the environment we are in right now is that there really is no view what so ever coming out of DC about what we want housing to be in the US...I think the rental story is the vacuum of policy; it creates a lot of opportunity" (IMN 2015). While that policy vacuum has created "a lot of opportunity" for investors, it has also resulted in substantial potential harms to tenants, prospective homebuyers and local communities, as discussed in the next chapter.

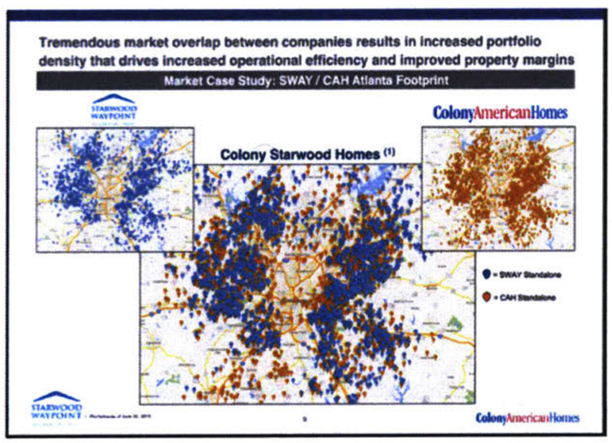
CHAPTER 6: RISKS AND HAZARDS RESULTING FROM AN INDUSTRY-DOMINATED RISK DISCOURSE

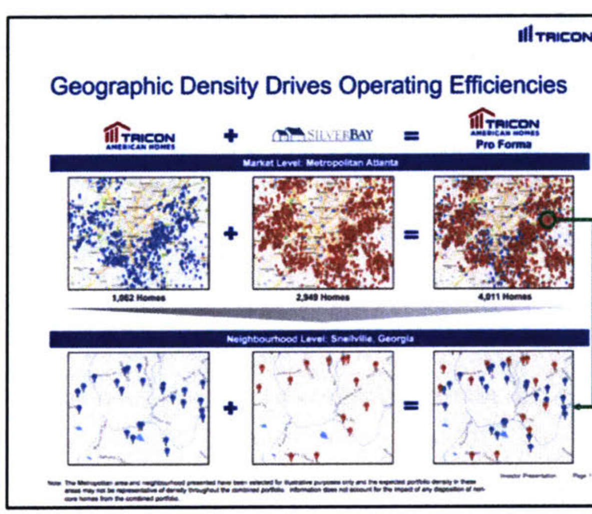
Because of the industry conceptualizations of "risk" and the constructed identities of risk arbitrators, managers, and producers, single-family rental companies have shifted risk burdens onto tenants, prospective homebuyers and local communities. Through risk mitigation strategies that encourage greater market domination, sanction aggressive rent increases and fee assessments, pressure companies to reduce maintenance costs, and increasingly rely on technology and systematization, single-family rental companies have created new risks to the rental and homeownership markets and to individual tenants. Thus far, no federal, state, or local regulations have attempted to adequately assess, manage, or mitigate any of these risks. This chapter discusses in detail the potential implications of a dominant discourse of risk that pressures and constrains single-family rental operators into maximizing revenues and minimizing costs.

INCREASED MARKET CONTROL

As discussed in Chapter 4, one of the main ways that single-family rental companies decrease operating costs is by initiating strategic mergers and acquisitions that lead to greater "synergies" and larger "market footholds" (shown in the maps below). Additionally, most companies indicate that they are looking to expand in districts where they already own properties - districts that typically have high potential for rent growth and high home price appreciation. The increased market dominance by a few actors could pose several risks for tenants, prospective homebuyers, and local governments.

First, greater monopolization in rental housing could result in higher rents. Although institutional investors claim that they only own approximately 1% of all single-family rental homes, they likely own far more in their "target areas". Additionally, many "mom-and-pop" single-family home rentals may not be rented to the public, but used primarily for family or close friends. If this is the case, investors may control an even greater share of housing and may be even more able to charge monopoly rents. Investors primarily target areas with high job growth and low-supply of housing, meaning that there is a constant shortage of housing and a greater ability to set high prices.





Slides from investor presentations by Colony Starwood and Tricon showing the "market synergies" resulting from their respective mergers

Second, because single-family rental companies only target areas with high home price appreciation and higher rental rates, they may "cherry pick" neighborhoods and properties and crowd out potential homebuyers. Since single-family rental companies are trying to achieve scale, they will likely only purchase homes in areas where they already have a "geographic footprint". Colony Starwood, for example, said most

of its acquisition targets are in its "subscale markets" like Charlotte, Raleigh, and Nashville, where the company does not currently own enough homes to "fully optimize scale". Colony plans to spend $300 to $400 million or approximately $30 million per month in 2017, particularly in these cities (Colony Starwood Homes 2017c). Considering that, the company only targets homes with three or more bedrooms, two or more baths, and priced between $100,000 to $400,000 (Colony Starwood Homes 2017a: 4), this could substantially drive up the prices of homes available for first-time homebuyers in places like Charlotte, Raleigh, and Nashville. Also, because single-family rental companies can purchase homes with cash they can usually out bid owner-occupied buyers who may depend on bank financing. The impact of greater market control may be mitigated by new construction and increased housing supply; however, no one is currently examining local market conditions to make sure this is the case.

Finally, greater market control could result in greater political power. As discussed in Chapter 4, companies believe that a negative political environment could result in lower profits. In order to manage this, companies have formed trade lobbies and at times even advocated at a local level. With greater monopolization in particular markets, single-family rental companies may become more involved in local politics, which could change power relationships in communities.

DECREASED OPPORTUNITIES FOR HOMEOWNERSHIP

Increased market dominance by single-family rental companies in specific cities or neighborhoods may reduce opportunities for homeownership, particularly for low- and moderate-income buyers. Housing remains the greatest source of wealth for low- and moderate-income families and greater investor competition or higher prices may force people to rent who would otherwise choose to own. Lower rates of homeownership could result in greater wealth inequality since investors, rather than individual homeowners, will capture any gains resulting from home price appreciation. Additionally, less neighborhood wealth generation could decrease local spending and increase neighborhood insecurity. Homeownership typically allows households to stabilize their housing costs and to have more control over their household finances. Since the mid-1900s, the federal government has incentivized 30 year-fixed-rate loans, in part, as a way of providing financial security for homebuyers. Improved tenant protections and rent control could provide renters with a similar level of security; however, absent major political reforms to guarantee these protections, many tenants will prefer to purchase a home (if possible) in order to avoid unregulated rent increases and threats of displacement.

Single-family rental companies may also inhibit opportunities for homeownership through the continued purchase of distressed loans and foreclosed homes. While foreclosures and sales of "distressed mortgages" have slowed, in the third quarter of 2016, 3% of all U.S. home loans were in default (Invitation Homes Inc 2017b: 110). Increased lobbying by single-family rental companies to acquire foreclosures and distressed loans may reduce the political will to implement or continue foreclosure prevention programs. For example, in a panel presentation, a representative from an online real estate marketplace, said that even with declining foreclosures "there are still pockets of opportunity" and "for the right investors, these [foreclosed] properties become a goldmine". He went on to explain that the single-family rental industry is just waiting for the "second wave" of HUD loans to foreclose and for the Home Affordable Mortgage Program (HAMP) loans to "blow up" (IMN 2015). This industry perspective that equates foreclosures and failed of government programs with "investment opportunities", illustrates the discursive and perceived divide between the "industry" and "market" and "society" and "justice".

Single-family rental companies' "dispossession strategies" may also impact local homeownership opportunities. Single-family rental companies "strategically dispose" of the homes that do not meet their investment criteria: including properties subject to rent control, properties with lower rents, and properties with higher maintenance costs. According to Colony Starwood's first quarter earnings call, the company plans to "dispose" of $200 million worth of homes in 2017 (Colony Starwood Homes 2017c), which could displace tenants and make only the most "undesirable" properties available to potential homeowners. Additionally, companies may not invest as much in the maintenance of homes

targeted for dispossession and tenant may feel "forced out" due to habitability concerns. Companies may also sell portfolios of undesirable homes to other investment companies, which could result in confusion for tenants and potential displacement if the new companies choose not to renew the existing leases.

Increased Rents, Rental Fees, and Evictions

As discussed in Chapter 4, single-family rental companies increase rents between four to seven percent annually, and in some markets like Northern California, renewal rents exceeds 13% (Colony Starwood Homes 2017c). For the past decade, rents have been growing exponentially faster than wages, resulting in higher rent burdens, greater rates of eviction, and overcrowding. Unaffordable rents pose a significant risk to tenants' lives. In addition to financial insecurity, unaffordable rents have also been linked to decreased mental and physical health and poor educational performance (Stahre et al. 2015).

Additionally, as described in Chapter 4, the single-family rental industry is trying to "pinch pennies" by charging more fees and developing "auxiliary revenue streams". The CEO of Colony Starwood explained to investors that failing to harvest the "low hanging fruit" of ancillary revenues should be viewed by companies as "revenue leakage" and the company should maximize every fee that they are "legitimately do under the lease" (Colony Starwood Homes 2016). Increased tenant charges can disadvantage the most vulnerable residents, particularly those with variable pay schedules that result in late rent payments or those who need to move suddenly and end their lease early. As mentioned in Chapter 4, there is also a question of who is responsible for setting the rents and enforcing the fee structure: local property managers or national executives. If rents and fees are established by national executives through data algorithms and strictly imposed upon lower-level staff, there may be less opportunities for tenants to negotiate rent increases or charges that seem unfair. Invitation Home's recent move towards a "National Lease" that sets standardized fees, may be an example of greater executive control over the property management process.

In order to maximize rental yields, companies may pursue more aggressive eviction policies, particularly if vacancy rates are low. Although tenant turnover costs companies an average of $1,500 (Green Street Advisors 2016), single-family rental companies could easily recover that cost through late fees, court fines, and retaining tenant's security deposits. According to an interview with an investigative reporter who spent weeks in eviction court in Atlanta, large institutional property owners contract with sophisticated legal staff who can easily win eviction cases, particularly since tenants typically represent themselves. The legal risk of evictions is less severe with mom-and-pop landlords who also typically represent themselves in court, according to the reporter.

A Shift in the Cost of Maintenance

With investor pressure to reduce maintenance costs in order to maximize profits, single-family rental companies may not conduct proactive repairs or adequately respond to tenants' maintenance or habitability requests. Uninhabitable conditions are not only a nuisance for tenants, but can pose severe health risks as well. Poorly maintained housing can result in frequent infections, lead poisoning, and asthma. In fact, research has shown that twenty to thirty percent of asthma cases are related to the home environment; 24 million homes have lead-based paint hazards; and housing conditions result in over 13.5 million avoidable injuries each year (Neleter et al. 2008).

If companies fail to maintain their properties or if they charge tenants for maintenance costs, tenants may choose to pay for the repairs themselves, which can result in greater financial strain. According to a 34-paged lease from a Colony Starwood tenant, residents are responsible for all maintenance repairs that "do not constitute Major Repairs and are not Landlord's obligation pursuant to Local Laws, including...routine insect control, replacement of light bulbs, checking and maintaining smoke and carbon monoxide detectors, maintenance of exterior landscaping...maintenance and repair of the appliances at the Premises, repair and maintenance of all sewer and sink backups and

blockages...repair of any broken glass, [and] regardless of cause". The lease goes on to say that "residents failure to maintain any item for which the Resident is responsible will give the Landlord the right to hire a vendor of its choosing to perform such maintenance and charge the Resident to cover the cost...Residents failure to maintain or repair any item for which the Resident is responsible will also be deemed a default of lease" (see Appendix 7). Thus, according to this contract, residents are required to pay for routing maintenance issues and minor repairs that have serious health and safety implications such as drainage, fumigation, and carbon monoxide or smoke detector replacements. Residents are also responsible for fixing appliances such as stoves and refrigerators, which could be very expensive and further pose health and habitability risks.

Shifting maintenance responsibilities onto tenants can prove profitable and make the companies appear more attractive to investors. For instance, in Colony Starwood's annual report the company reported that "other property income", which includes smart home and other service charges, tenant charge backs, late charges and early-termination charges, increased from $17,167 million to $25,844 million, a 51% increase (Colony Starwood Homes 2017a: 47). Similarly, American Homes 4 Rent reported in a fourth quarterly earnings call that its annual maintenance cost per house per year is $2,034, excluding the $582 average cost per house per year that is billed directly to tenants as "tenant chargebacks" . This indicates that tenants are paying approximately 22% of maintenance costs, which is likely not disclosed in the rents and could pose an even greater financial burden.

On the American Homes 4 Rents 2016 fourth quarter earnings call, an analyst at JP Morgan inquired about tenant chargebacks, but it was unclear if he asked the question because he believed that having higher chargebacks increased the company's profitability or decreased the company's long-term viability (American Homes 4 Rent 2017a). Other market analysts, like Michael Boyd, who contributes to an online investment platform, have raised concerns about the mounting consumer reports against American Homes 4 Rent and the increasing tenant accusations of exorbitant maintenance fees, erroneous or false utility charges, and unfairly retains security deposits. The chart on the right, created by Boyd, shows the change in tenant chargebacks as a percent of revenue from less than 2% in 2013 to over 14% in 2016. "Tenants somehow getting more destructive in the past two years is unlikely" he wrote in his investment blog. "The reality is either American Homes 4 Rent is putting the squeeze on tenants by nickel-and-diming them on charges (best case), or billing fraudulently in the worst case" (Boyd 2016). In addition to exposing single-family rental companies' potentially predatory behavior, Boyd's analysis provides one example of how investor concerns and tenants' rights issues may, at times, align.

Figure 4: American Homes 4 Rent Fees and Chargebacks as a Percent of Revenue

Source: Michael Boyd

Increased Dependence on Technology and Systematization

In order to manage risk and enhance "operational efficiency", single-family rental companies have developed technological platforms that review tenant applications, assess tenant rents, and track late payments. As Fields discusses, tenants may not be aware of how their landlords will use the rental data (Fields 2015) and landlords may provide the data to companies that produce predictive credit scores (Pasquale 2015). Lower credit scores or negative credit reports could impact tenants' ability to access future housing, automobile finance, or even employment (Rivlin 2013).

Companies also use new technologies like "Smart Homes" to minimize the cost of maintenance and operations and reduce the need for on the ground employees. Smart Homes, is an "auxiliary service", which allows tenants to control temperatures from their mobile devices, unlock and lock the front door using a smart phone, and monitor all activities in the home including the date and times that the front door is locked and unlocked. Colony Starwood says that the new technology reduces maintenance cost since staff can enter the homes more easily and allow prospective tenants to tour the homes on their own without an employee present. While the technological services may provide convenience for tenants, they also allow the single-family rental company to exercise greater surveillance control over the home. It is unclear if tenants will have any additional privacy rights under this new arrangement, since the rental companies, as well as the tenants will be able to continually monitor and oversee the home.

Additionally, securitization itself is a new financial technology that has not been used for single-family rental housing. Because of the legal complexity of securitization, if a private equity firm fails, it is unclear who would be responsible to maintain the rental homes - the investment trust, the investors, the shareholders, etc. The diffuseness and complexity of ownership claims could make it nearly impossible for local governments and code enforcement departments to hold the "owners" accountable for poorly maintained properties.

Lower Corporate Liability and Less "Skin in the Game"

The process of securitization allows companies to further minimize their potential risks and future liabilities. As a report from the Center for American Progress describes, when Invitation Homes issued their first rental-backed security the company sold all of the collateralized properties to a subsidiary organization, 2013-1 IH Borrower L.P. Because the homes had already appreciated since Invitation Homes initially purchased them, Invitation Homes recouped about 88% of the original $542.8 million that the company used to acquire the homes. If the securitization defaults, Invitation Homes will lose the other 22% ($63.7 million) in equity that it invested in the homes and will lose the future profits of reselling the home. While the company will certainly avoid this scenario, the process of securitization ensures that the company is at least guaranteed 88% of its initial investment (Edelman, Julia Gordon, and David Sanchez 2014). Additionally, securitization and the creation of a separate Borrower LLC creates additional corporate layers to protect single-family rental companies. This ensures that single-family rental companies have less legal liability if there are persistent maintenance issues, class action lawsuits, or legal challenges.

In the equities market, single-family rental companies may make decisions that benefit elite investors (like Blackstone, Colony Capital, or the Alaska Permanent Fund) at the cost of other investors, tenants, and community residents. According to investment theory, most private equity investments follow a so-called "J-curve" in which the initial investment is expected to generate negative returns in the first few years, and then quickly become profitable by year three or five. After this time, potential returns are steady and quantifiable. Given that the single-family rental industry began in 2013, by 2018, investors should have a clear assessment of the long-term returns possible from the industry. Lower than expected returns in the industry or higher expected returns elsewhere, may lead investors to pressure companies to liquidate assets, thereby folding the company and generating large returns for investors, Investors may also sell their shares and reinvest in more profitable ventures elsewhere. In this model of investment. there is very little company "loyalty". For example, Thomas Barrack, founder of Colony Starwood divested four million shares of Colony Starwood in March of 2017[11] and the Alaska Permanent Fund sold 43 million shares of Alaska Homes 4 Rent, resulting in a net gain of $325 million for the fund (DeMarban 2016). As mentioned previously, the rapid (or even gradual) liquidation of homes could pose both risks and opportunities for low- and moderate-income homeowners, but these

[11] See SEC Form 4. https://www.sec.gov/Archives/edgar/data/1076343/000089924317006698/xslF345X01/doc4.xml

conditions are currently not monitored by any local, state, or federal government departments or agencies.

Increased Sprawl and Suburbanization

As described in Chapter 4, some single-family rental companies like Colony Starwood and American Homes 4 Rent are collaborating with suburban homebuilders to acquire a certain number of homes in new developments to operate as rentals. While this may provide greater access to rental housing in majority ownership areas, it may also increase unsustainable sprawl that financially stresses residents through increased commute times and cities by expanding service areas and diverting resources from other neighborhoods (David Thompson 2013). Several studies have shown that cheap access to credit through subprime lending fueled the building booms of the 1990s and 2000s. There may be a similarly unsustainable boom if contractors and rental companies can partner to access cheap credit through the debt and equities markets. American Homes 4 Rent and Colony Starwood Homes have both contemplated or started warehousing land in order to collaborate with builders, and both say that build-to-rent is an important new growth area. For example, in the first quarter of 2017, Colony Starwood purchased 84 build-to-rent homes and corporate executives say the company has relationships with 45 builders in their "target markets". The company also said it has 11 "100% fully contained build-to-rent communities" in progress in which every unit in the subdivision will be a rental property (Colony Starwood Homes 2017c). Similarly, American Homes 4 Rent, said that it "took [its] first delivery of 33 newly constructed homes" in April of 2017 and expects to acquire 150 to 200 by the end of the year (American Homes 4 Rent 2017).

Increased Inequality

The financialization of housing will likely increase income and wealth inequality by effectively redistributing tenants' rent payments to wealthy investors and redistributing home price appreciation to private equity funds rather than homeowners. Additionally, because single-family rental companies are not required to disclose executive compensation, companies may use rental revenues to pay executives exorbitant salaries and "golden parachute" packages. The wealthiest investors also have the greatest voting power and corporate control over publically traded companies. As mentioned in Chapter 4, this may lead to corporate decisions that favor the interest of a few elite investors at the expense of smaller shareholders, renters, and local communities.

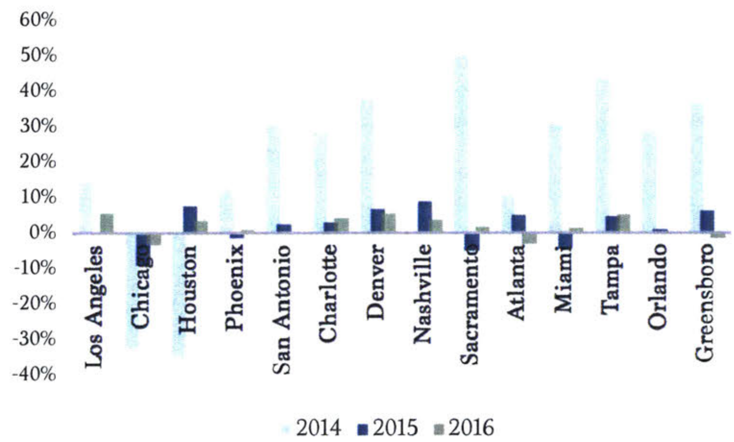
Discussion

The use of a dominant discourse to construct capital market regulation as beyond the realm of community planning results in unmitigated hazards for tenants, potential homeowners, local communities, and societal goals of income and wealth equity. These risks and hazards to non-market actors are not "externalities" of the single-family market or "unintended harms" like air pollution or noise. They are central business practices without which the industry could not exist. Rather than thinking of these risks as market externalities, policymakers should recognize them as *collateralized damages,* hazards inflected on some to reduce risk to others.

Some of the collateralized risks discussed above are also common in multifamily housing and reflective of broader trends in an increasingly unaffordable rental market. However, the risks associated with the institutionalized and financialized single-family rental market may differ from those in the multifamily sector in several important ways. First, markets with high concentrations of institutional owners may face greater rent increases for single-family rents compared with multifamily units. The National Rental Home Council (NRHC) claims that rental rates for single-family homes will catch up to the rates for apartments of similar quality over the next five years (Green Street Advisors 2016). Additionally, using Zillow rent data to compare the difference in rent increases in the single-family and multifamily markets, areas with high single-family rental investor ownership had higher rates of rental growth for single-family homes compared with multifamily units. As shown in Figure 5, in 2014 when

the largest companies became fully operational, rental growth for single-family homes was 50% higher than rental increases for apartment units in Sacramento, 38% higher in Denver, and 30% higher in Miami, San Antonio, Orlando, and Charlotte[12]. While the rent differentials have evened out in the last two years, in 2016, single-family rental rates rose by 6% more than apartment rents in Los Angeles, 5% in Denver and Tampa, and 4% in Nashville and San Antonio. Additionally, because single-family rentals are not subject to rent control in any US jurisdiction, single-family tenants living in places with rent control like Los Angeles City and Oakland have fewer legal protection than tenants in multifamily units do.

Figure 5: Difference in Rental Growth Between Single-Family and Multifamily Housing



In addition to greater rent increases, single-family rental tenants may be more likely to have to absorb additional maintenance costs. Institutionalized multifamily landlords often have onsite and salaried maintenance staff who are in charge of ensuring habitability for each unit and the overall building. The onsite maintenance staff often provide regular fumigations and tenants are not expected to maintain the lawns or the exterior of the building. Since single-family rental are more geographically dispersed, there is greater incentive to shift regular maintenance onto the tenants.

It is important to note that tenants in single-family homes owned by mom-and-pop ownership also face risks of rent increases and deferred maintenance. However, these risks were not collateralized as part of a global financial market, rather they are determined by individual decision-making, individual preferences, and often, economically "irrational" choices. It is important not to romanticize all mom-and-pop landlords or assume that small investors are better able to act in the interest of their tenants, since this is simply not true. If fact, because mom-and-pop landlords often have less understanding of laws and regulations, they may pose even greater individual risks to some tenants than their "professionalized peers". However, "mom-and-pop" landlords have never exerted as much control over rental housing as large investors like Colony Starwood or Invitation Homes and "mom-and-pop" landlords are not beholden to a network of professional debt and equity investors, all dependent on rents for increased financial returns. As such, "mom-and-pop" landlords are more difficult to regulate and more sympathetic to the public. In contrast, institutionalized owners that actively seek global investors, are easier to identify, understand, monitor, and regulate. The next chapter will provide some models for how local and state jurisdictions begin identifying, monitoring, and regulating large scale single-family rental companies.

[12] As shown in the chart, Houston and Chicago both had higher rental increases in apartment rents compared with single-family homes. I am unfamiliar with these markets and additional research is necessary to understand why these two cities do not follow the same trends.

CHAPTER 7: CONTESTING THE DOMINANT RISK NARRATIVE:

As discussed in the previous chapters, allowing the financial industry to self-regulate risk and self-determine access to capital markets, propagates a societal misconception that global financial markets are separate from planning and community development. Furthermore, the dominant discourse of risk privileges the perspectives of "experts", narrowly defined as industry analysts with backgrounds in business, finance and economics, and discounts or ignores the knowledge of community developers, housing policy advocates, and the residents themselves. As shown in Chapter 6, this perceived separation results in potential harms for tenants, prospective homebuyers, and local communities that remain unaddressed, unmitigated and unmonitored. Ideally, access to capital markets should be part of a democratic process that recognizes finance as integral in advancing and threatening societal goals of neighborhood investment, environmental justice, and inclusive economic prosperity. Yet, given the current federal administration and the fact that large single-family rental companies already have access to both debt and equity markets, local and state governments will have to take an active lead in monitoring and mitigating emerging risks.

As a recommendation, I propose four feasible methods of monitoring risk that could assist local and state governments in better assessing how the emergence and growth of large financialized housing companies impact local housing markets. Using these alternative methods of risk assessment for California and Los Angeles County, I found that neighborhoods in Los Angeles, Sacramento, Riverside, San Bernardino, Solano and Contra Costa County are disproportionately impacted by the financialization of single-family rental housing. Additionally, investment by single-family rental companies is positively correlated with the percentage of African-American residents, higher median incomes, and lower median home values. Based on the results of tenant surveys and my own field observations, the potential risks of rent hikes, shifting maintenance costs, heightened evictions, and increased market control discussed in Chapter 6, have all materialized on the ground and are causing dissatisfaction amongst residents. Since the most impacted neighborhoods are middle-income communities of color, addressing the financialization of single-family rental housing requires community development practice to expand beyond anti-poverty strategies aimed at the most economically marginalized and re-examine vulnerability within the communities traditionally thought of as "stable" and the epitomes of the "American dream".

The intention of proposing alternative risk monitoring frameworks is not only to develop practical methods for analyzing and understanding the impact of changing ownership and tenure patterns, it is also meant as a tangible way to begin bridging the often disjointed discourses of "community development" and "capital market regulation" in order to create a more inclusive definition of risk and risk actors. In doing so, I hope to re-embed the financial markets within broader narratives of economic and social justice.

WHY CALIFORNIA & LOS ANGELES

I chose to focus my analysis and recommendations on Los Angeles County and California because of the concentration of financialized and institutionalized single-family rentals, along with the state's and region's potential to enact greater housing policy regulation. As discussed more in the next section, California has 14,389 homes owned by private-equity backed landlords and of those, 3,621 are located in Los Angeles County. The region also has one of the highest rental rates and rates of rental growth, according to Colony Starwood and Invitation Home's public filing documents. Colony Starwood and Invitation Homes reported that their average rents in Southern California were $2,054 and $2,148 respectively (among the highest in the nation), and Colony Starwood reported that their properties in Southern California and Northern California have the highest rates of rental growth (Colony Starwood Homes 2017a: 2; Invitation Homes Inc 2017a: 2)

In addition to having a large number of properties, California and Los Angeles both have progressive legislative histories related to economic justice, financial accountability, and affordable housing. The State was among the first to sue large financial institutions for their role in the foreclosure crisis and Los Angeles was one of six cities to pass a responsible banking ordinance that pressured banks to invest in affordable housing and community development[13]. Additionally, the only two lawmakers to propose legislation in opposition of single-family rental securitization and the institutionalization of single-family rental homes both come from California (Congressional Representative Mark Takano and State Assembly Majority Leader Ian Calderon). California and Los Angeles' progressive politics mean that there could be more political will to support tenant protections and alternative financial risk monitoring. Furthermore, because Los Angeles and California are among the most unaffordable regions in the United States, lawmakers at both the local and state level are looking to identify both the causes of and solutions for the affordability crisis. In the 2016 to 2017 state legislative cycle, for example, there were 160 bills introduced related to affordable housing. While this chapter provides alternative frameworks for reassessing and reanalyzing risk, Chapter 8 provides concrete policy and programmatic recommendations to prevent single-family rental companies from shifting burdens and hazards onto tenants and local communities. Based on the opinions of federal policy makers and national housing advocates, California and LA County are among the most likely jurisdictions to enact these reforms.

Assessment 1: Exposure Analysis:

Within the dominant discourse on financial risk, there is a considerable amount of attention paid to "risk exposure" and "systemic risk". Investment advisors counsel their clients to avoid "over exposure" to an industry or company and federal market regulators supposedly monitor for systemic risk by assessing investment trends and economic shifts to guard against a collapse of the financial system. Similarly, in securitization, tranches of loans include properties from several geographic areas in order to reduce investors' exposure to any single local real estate market. The idea is that if one local market suffers or fails, it will not affect the performance of the other assets. The financial industry argues that single-family rental securitization does not pose a substantial or systemic risk to either the capital markets or the housing market, because single-family rental homes are a negligible part of the total debt securities and institutional ownership of single-family rentals is still only 1%.

However, a risk exposure analysis that aggregates risk to a national level, fails to consider the potential impacts to local neighborhoods where single-family rental companies now own a substantial number of homes. Unlike global investors, local policy makers cannot manage risk through greater spatial diversification, since they are only and entirely responsible for the communities within their jurisdiction. Thus, in order to better understand the potential impacts of the financialization and institutionalization of single-family rental housing, local planners and policy makers need to understand which neighborhoods and which residents are most exposed. Using statistical and geospatial research methods, local planners and policy makers can better assess the spatial distribution of homes owned by the largest single-family rental companies as well as the socioeconomic characteristics of the most impacted neighborhoods.

Geographic Exposure

In developing an alternative exposure analysis for California and LA County, I used the website propertyradar.com to search for properties owned by the largest private equity firms. Because companies incorporate under several names and assessors frequently misspell names when entering them into local systems, the process of obtaining the property lists required several searches and a process of cross referencing owner names with owner addresses. After several searches by owner name and owner address, I developed, what I believe is the most comprehensive list of all of the different ownership

[13] The responsible banking ordinance was later ruled unconstitutional after a lawsuit sponsored by the American Bankers Association

entities associated with Invitation Homes, Colony Starwood Homes, American Homes 4 Rent, Tricon, Silver Bay, Progress Residential and Home Partners of America (see Appendix 1 for the complete listing of company names). I chose these companies because they are the largest institutional investors in single-family rental housing in California.

AT A CITY AND COUNTY LEVEL

As shown in Figure 6, Los Angeles County has the greatest number of institutionally owned single-family rental homes (3,621), 65% of which are owned by Invitation Homes and 32% of which are owned by Colony Starwood. Riverside County has the second largest number of homes (2,728), but over half (55%) are owned by Colony Starwood. In Kern County, by contrast, nearly all of the 93 homes are owned by American Homes 4 Rent. At a city level, Sacramento has, by far, the greatest number of homes (1,286) followed by Los Angeles (629) Vallejo in Solano County (574), and Moreno Valley in Riverside County (573). The City of Sacramento may have been particularly targeted by single-family rental companies because of the stable work force employed by the State government, the relatively low property values (compared with Los Angeles and the Bay Area), and the low rental vacancy rates. Interestingly, there are very few institutionally owned homes located in the San Joaquin Valley[14] despite the fact that the region had among the highest foreclosure rates in the nation. The San Joaquin Valley has higher rates of poverty and unemployment than most of California and the lack of investor activity in the region is likely illustrative of the selective investment/divestment patterns discussed in Chapter 6 and 7.

Figure 6: Total Units by County in CA

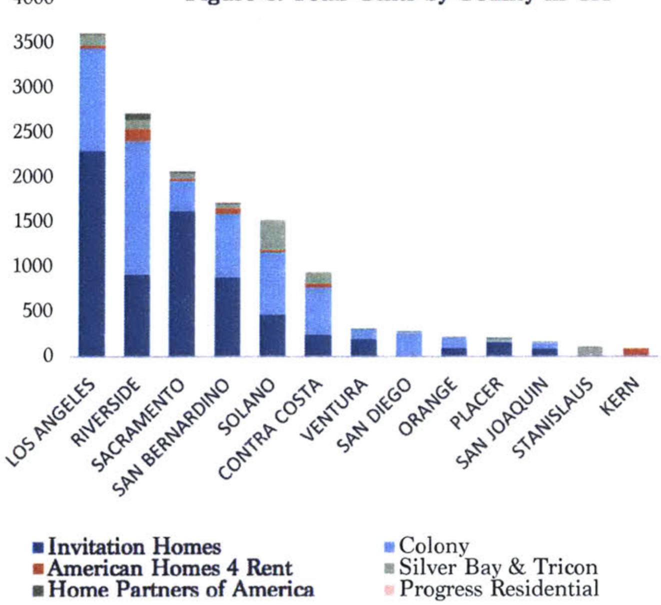
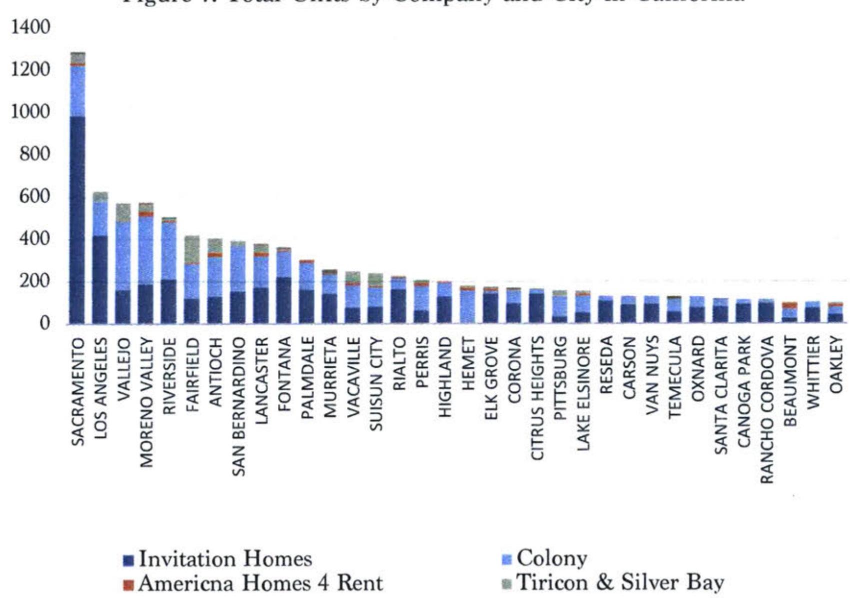
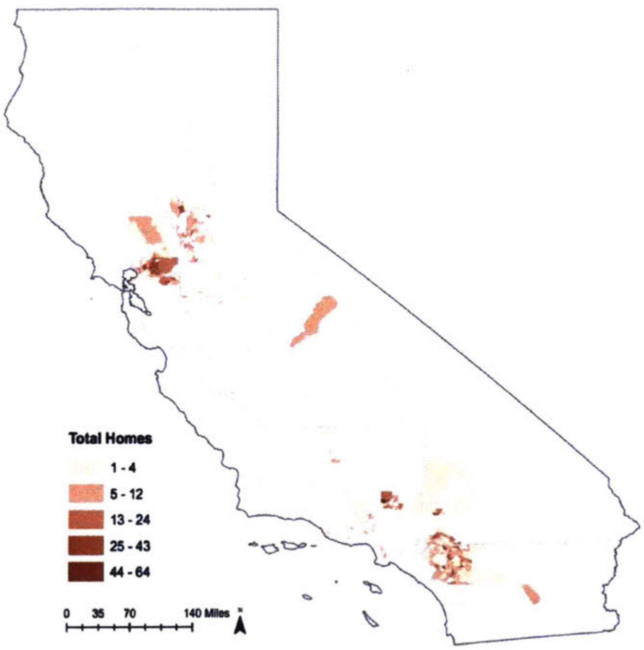


Figure 7: Total Units by Company and City in California

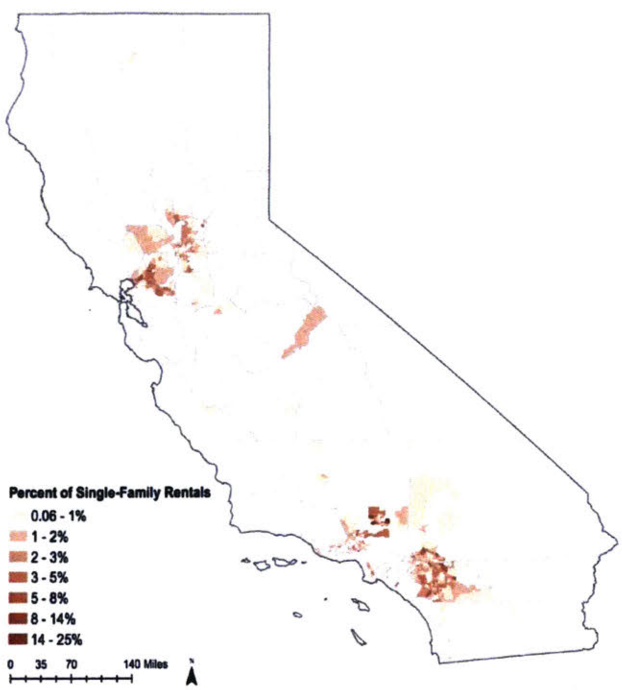


[14] The San Joaquin Valley is an 8-county region in Central California that includes San Joaquin, Stanislaus, Merced, Fresno, Madera, Kern, Kings, and Tulare counties.

Map 2: Total Homes Owned by the Largest Single-Family Rental Companies



Map 3: Percent of all Single-Family Rentals owned by the Largest Companies



AT A NEIGHBORHOOD LEVEL

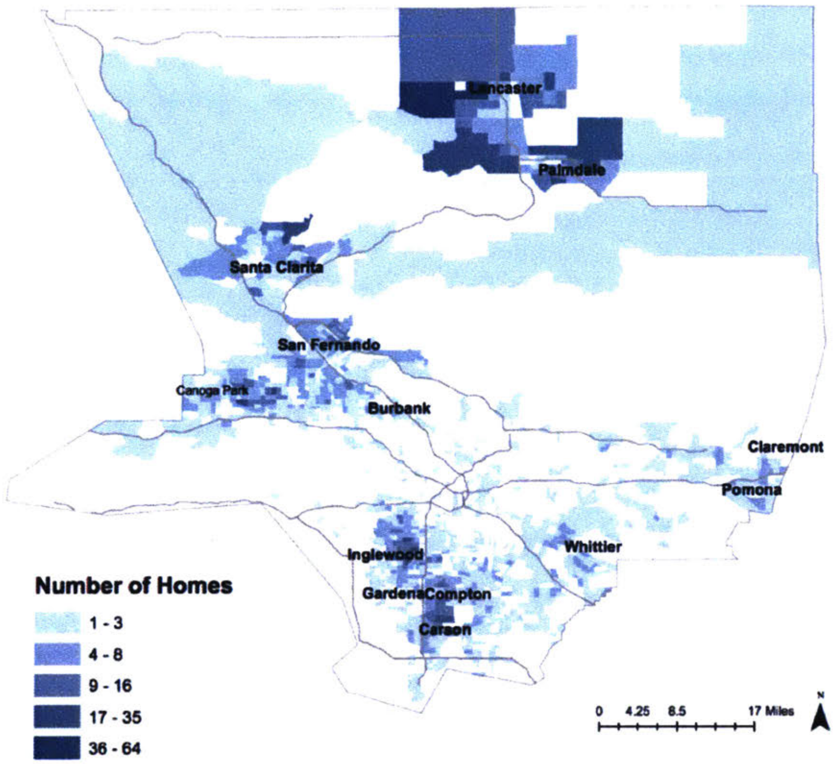
After analyzing the data at a city and county level, I then geocoded the properties and aggregated them to the census and block group level. This allowed me to understand the distribution of institutionally owned homes at a finer geographic level. As evident both from Figures 6 and 7 and Maps 2 and 3, exposure to financialized and institutionalized single-family rental housing is unevenly distributed throughout Los Angeles County and California.

Within California, approximately one in five census block groups and one in three census tracts has at least one home owned by the largest single-family rental companies. In 251 block groups and 431 census tracts, there are over 10 homes owned by these companies. Of the census block groups with more than 10 homes owned by the largest companies, 28% are in Riverside County, 21% in Solano County, 13% in San Bernardino, 12% in Sacramento, and 10% in LA county.

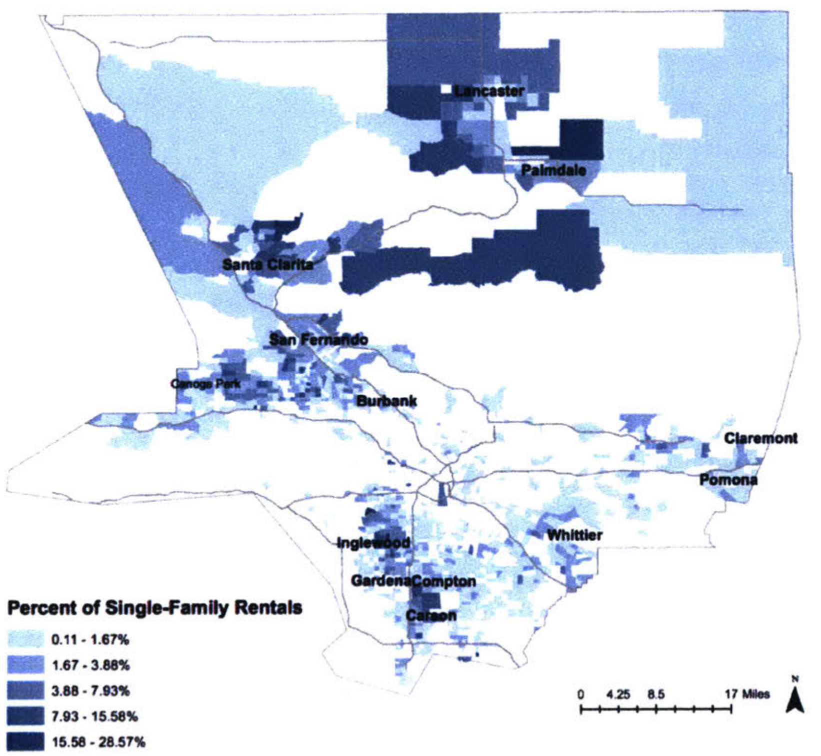
The areas that have the greatest percentage of single-family rentals owned by the largest companies are also located in these five counties. In 22 census block groups the six largest companies own over one half of the total single-family rental units and in 83 block groups, the largest companies own one in every four single-family rentals. Of these 83 neighborhoods, 30% are located in Los Angeles County, nearly 20% in San Bernardino County, 16% in Solano and Riverside, and 7% in Sacramento. In Los Angeles County, the neighborhoods with the highest number and share of single-family homes owned by the largest rental companies are located in the eastern desert (Lancaster and Palmdale) the San Fernando Valley, and South Los Angeles.

Counties, cities, and neighborhoods that have the highest number and concentration of institutionalized and financialized single-family rental homes should work together to identify trends in the companies' business models and emerging risks facing tenants and prospective homebuyers. They should also work together to develop policy and programs to better protect local residents.

Map 4: LA County Number of Homes Owned by the Largest Single-Family Rental Companies



Map 5: LA County Share of Single-Family Rental Homes Owned by the Largest Companies



Exposure to the Securitized Debt Market

Using the propertyradar data, I was able to determine if a home was securitized or likely securitized by analyzing the existing loans outstanding, the name of the lender, and the assessed owner name. If the loan outstanding far exceeded the value of the property and the lender was either Goldman Sachs, Deutsche Bank or JP Morgan (the three largest financial institutions involved in single-family rental securitization), I concluded that the property served as collateral for a securitization deal. If there was no data on the outstanding loan balance, but the assessed owner's name included the word "Borrower", I characterized the property as "likely securitized". This is because as part of the securitization process, companies create separate special purpose entities that often have the word "Borrower" in the name (as discussed more in Chapter 4). I then grouped the data by city and county to assess the geographic concentrations of securitized properties.

Figure 8: Percent Securitized by County

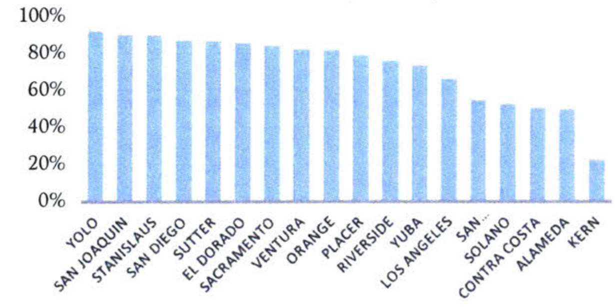
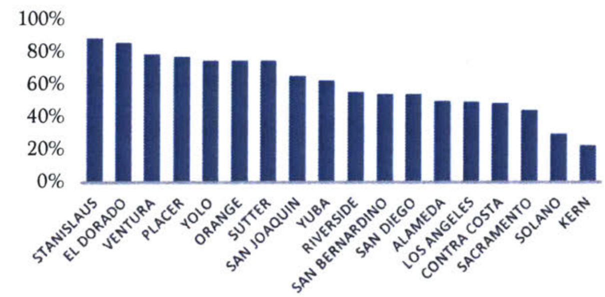


Figure 9: Percent Securitized or Likely Securitized by County



As shown in Figures 8-11, not all communities are equally exposed to the debt securities market. For example, in Stanislaus Counties 89% of the properties owned by the largest single-family rental companies are securitized and in Yolo County 90% are either securitized or likely securitized. By contrast, In Contra Costa and Alameda Counties approximately 50% of properties are definitely or likely securitized. There are similar differences at a city level as shown in Figures 10 and 11. In Oxnard (Ventura County) for, example, 83% of properties are securitized whereas in Oakley (Contra Costa County) and Suisun City (Solano County) less than 40% are securitized. Within Los Angeles County, the city of Van Nuys has the lowest rate of securitization (between 35

Figure 10: Percent Securitized by City
for cities with more than 100 homes owned by the largest single-family rental companies

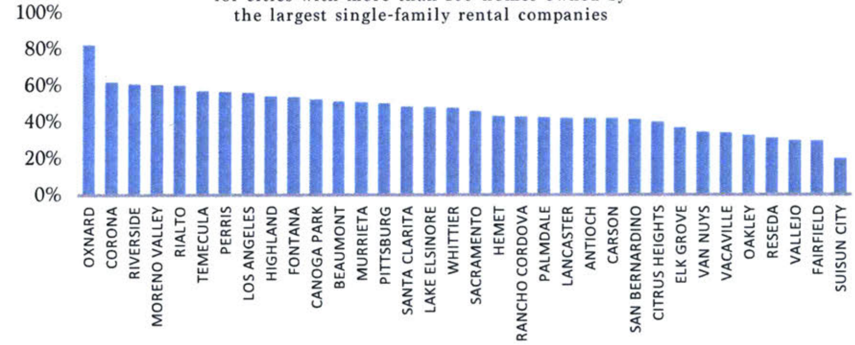
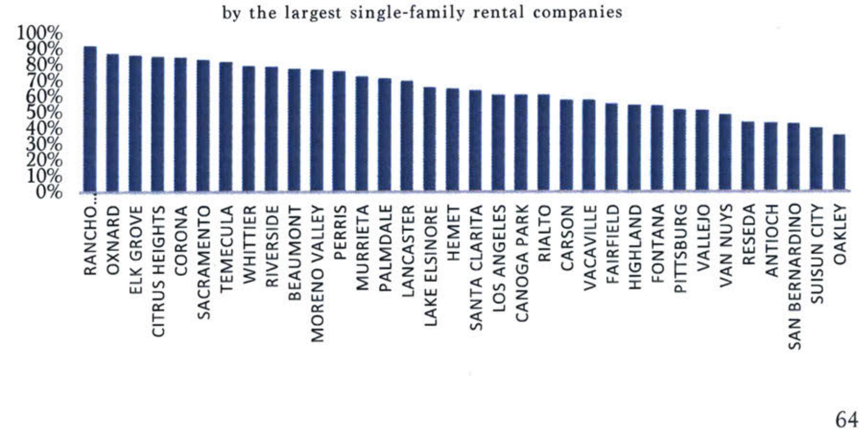


Figure 11: Percent Securitized or Likely Securitized
for cities with more than 100 homes owned by the largest single-family rental companies



and 48%), while Los Angeles City has the highest rate (57 - 61%). The different rates of securitization may be completely random or they may provide insight into the investment decisions of these large single-family rental companies. For instance, areas with lower rates of securitization may be places in which companies are looking to liquidate. Local and state planners should monitor any changes in the rates of securitization in order to better understand the community's level of exposure to debt markets as well as anticipate any changes in single-family rental companies' business practices that could affect neighborhood stability.

EXPOSURE BY RACE, INCOME, AND NEIGHBORHOOD CHARACTERISTICS

In order to better understand the socioeconomic demographics of the most impacted neighborhoods, I conducted a multivariable linear regression analysis to test the correlations between socioeconomic factors and the number of properties owned by the six largest companies by block group and census tract. I then conducted the same analysis but used the percentage of single-family rental housing units owned by the largest companies (rather than the count). Using an analysis for both census tracts and block group allowed me to test correlation at different scales and better control for anomalies.

For the census block group analysis, I included the following independent variables: percent African-American, percent Latino, percent Asian, percent with a commute time to work of 60 to 90 minutes, percent with a commute time to work of 90 minutes or more, median household income, median home value, and the number of jobs located in the census tract[15]. I also included total population and population density as control variables. For the census tracts, I used the same independent variables but included the rental vacancy rate and an index that measures the accessibility of public transportation. I did not include rental vacancy in the census block group analysis because the data is not very reliable at such a small geographic scale. I also excluded the jobs index from the census tract analysis because the data is only available at a block group level (see Appendix 2 for the numeric results of the regression analysis).

A REGRESSION ANALYSIS:

Using the four models for both Los Angeles County and California, I found a consistently significant *positive* correlation between the number/share of homes owned by large companies and the percent of African-Americans, the percentage of people with high commute times, and median household income[16]. This indicates that as the number and share of homes owned by large companies increases, the median household income, the percent of African-Americans, and the percent of people with high commute times all increase as well. In all of the models, I also found a significant *negative* correlation between the number and share of homes owned by large companies and the percent of Asians, median home values, and the number of neighborhood jobs[17]. This means that as the number and share of homes owned by large companies increases, the percent of Asian residents, the median value of homes, and the number of neighborhood jobs all decrease (see Figure 12).

The percent of Latino residents was positively correlated in three of the four models for California, but only one of the models for Los Angeles County. This suggest that while there may be some correlation between Latinos and the number and share of homes owned by large single-family rental companies, it is less dramatic and consistent than that of African-Americans and Asians, particularly in Los Angeles County.

[15] For the jobs located in the census block groups I used HUD's jobs index that was developed for the Affirmatively Furthering Fair Housing Initiative. For all other data I used the 2015 American Community Survey 5-year estimates.
[16] Significance at alpha = .05
[17] Significance at alpha = .05

Figure 12: Multivariable Regression Analysis								
	Number of Homes				Share/Percent of SFR Homes			
	Los Angeles		California		Los Angeles		California	
	Block Group	Census Tract	Block Group	Census Tract	Block Group	Census Tract	Block Group	Census Tract
Percent Black/African-American	+	+	+	+	+	+	+	+
Percent Latino			+		+		+	+
Percent Asian	-	-	-	-	-	-	-	-
Percent Commuting 60- 90 min to work	+	+	+	+		+	+	+
Percent Commuting over 90 min to work	+	+	+	+	+	+	+	+
Neighborhood Jobs (HUD Jobs Index)	-	NA	-	NA	-	NA	-	NA
Median Household Income	+	+	+	+	+	+	+	+
Median Home Value	-	-	-	-	-	-	-	-

COMPARING MEANS:

The correlations between exposure to large single-family rental companies and race, commute times, and median home values are even more apparent when comparing the means of these indicators amongst neighborhoods with different levels of institutional investment. As shown in Figures 13 and 14, census tracts with greater exposure to the financialized and institutionalized single-family rental market have a dramatically higher percentage of African-American residents. In Los Angeles, census tracts where the largest single-family rental companies own more than 15% of homes, have an average Black population of approximately 30%. In contrast, census tracts with no homes owned by large single-family rental companies have an average Black population of 6%. This trend is similar in California. For the 18 census block groups and 120 census tracts in California with more than 20 homes owned by large single-family rental companies, the percent of African-Americans is nearly three times that of block groups or census tracts with no homes owned by the largest companies (see Appendix 3 for the precise numbers).

From redlining to subprime lending, US housing policy has always intersected with racial justice issues, and based on the data, the rise of institutionalized and financialized single-family rental housing is no different. Because neighborhoods with a greater percentage of Black residents are disproportionately impacted by large single-family rental companies, the behavior of these firms may constitute a violation of fair

Figure 13: California Racial Demographics by Block Group & Homes Owned by the Largest Companies

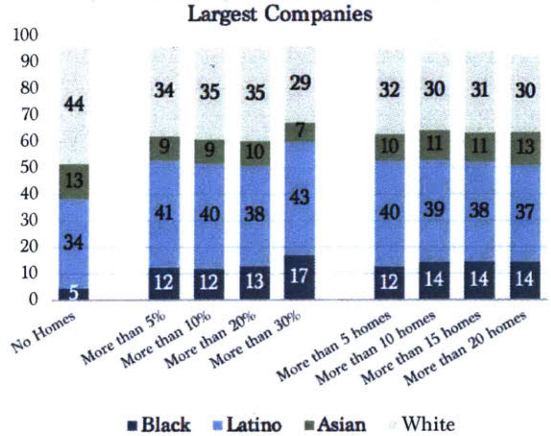
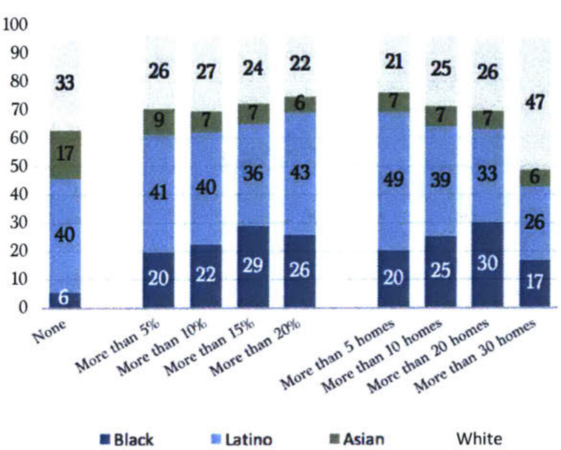
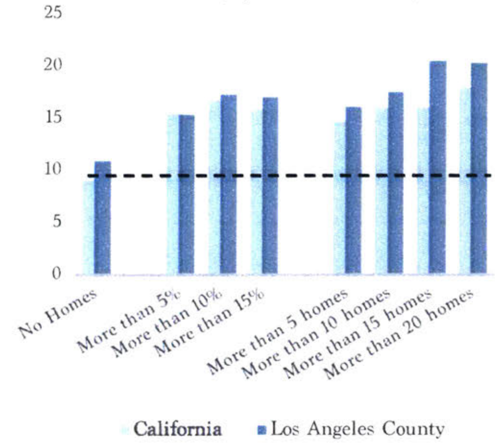


Figure 14: Los Angeles County Racial Demographics by Census Tracts & Homes Owned by the Largest Companies



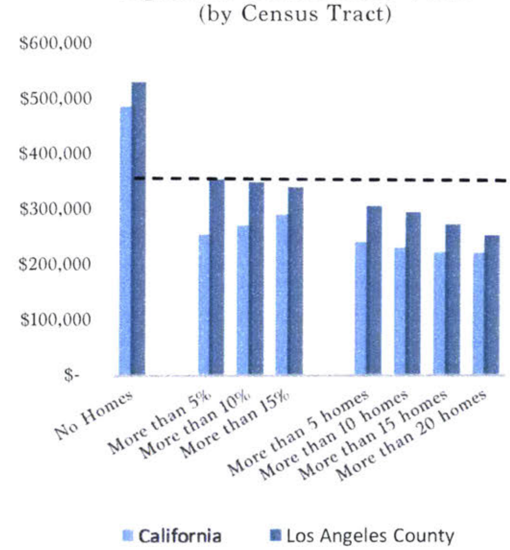
housing. Fair Housing law protects communities against both intentional discrimination and any actions that may constitute a "disparate impact". If communities or local governments can prove that large single-family rental companies have higher rates of eviction, higher rent increases, lower property maintenance, or other practices that may harm tenants, they may be able to litigate using the Fair Housing Act. Additionally, if the companies' business practices crowd out prospective homeowners, local governments or legal advocates could argue that the actions of these large investors disparately impact the ability of communities of color to access homeownership.

Figure 15: Percent of People Commuting More than 60 Minutes to Work (by Censust Tract)



Neighborhoods with greater investment by large single-family rental companies also have much higher commute times and lower median home values as shown in Figures 15 and 16. The percent of people commuting to work for more than an hour is twice as high in census tracts with more than 15 homes owned by large companies when compared to census tracts with no institutional ownership (approximately 20% compared with approximately 10%). This signifies that in neighborhoods with the greatest investor ownership, one in five people commutes over two hours to work and back each day.

Figure 16: Median Home Value (by Census Tract)



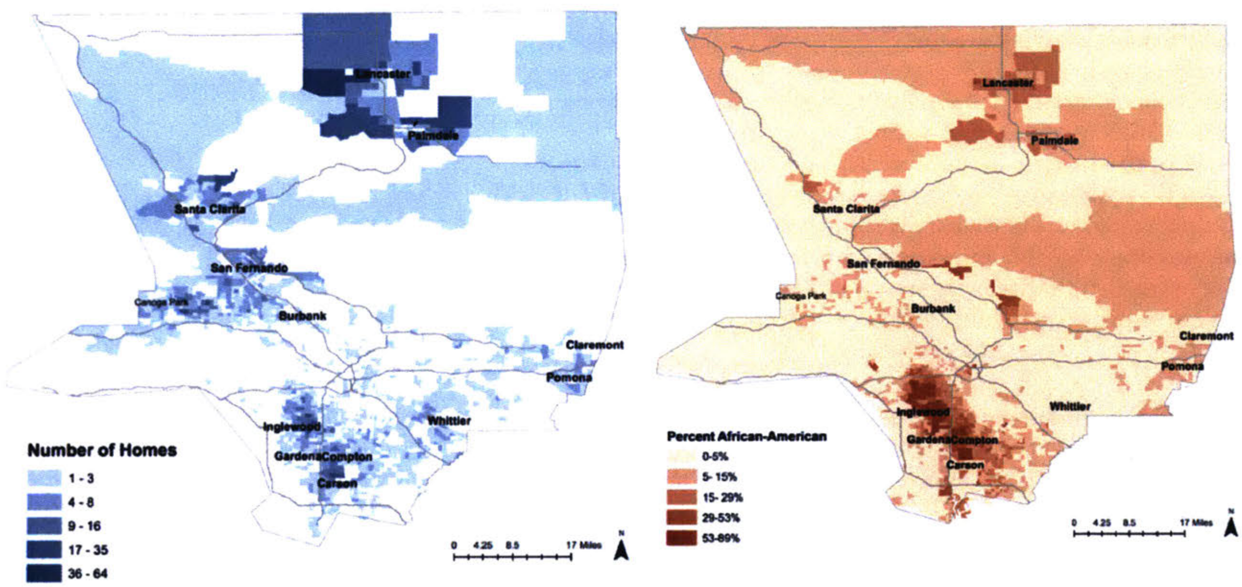
The median home values in areas with the highest rates of institutional single-family rentals are nearly half that of areas without institutional investment. In California, for example, census tracts with no institutional single-family rental investment have a median home value of $488,000 whereas those without any properties owned by the largest single-family rental companies have a median home value of $222,965. Similarly, in Los Angeles County the median home value for areas with no institutional investment is approximate $280,000 more than in areas with the highest rates of investment. Combined, this means that the neighborhoods disproportionately impacted by the large investors tend to have more affordable housing for moderate-income families but have much longer commute times. The impact of institutional investors on changing, impacting, or exacerbating the socioeconomic conditions in these neighborhoods is still unknown. However, as mentioned previously, greater institutional investment may crowd out homebuyers from the most affordable parts of the state and may exacerbate sprawl and the suburbanization of poverty.

This analysis is not meant to test causation. I do not believe that companies purchased homes entirely *because* of the neighborhood demographics or characteristics. Rather, single-family rental companies purchased homes in areas with high rates of foreclosures resulting from subprime loans. In California, these areas were disproportionately located in low- and moderate- income communities of color and in places outside of city centers. For the purpose of understanding and mitigating risk, causation is less important than impact. While companies like Invitation Homes and Colony Starwood may not intentionally target people moderate-income people of color in specific neighborhoods, their business practices and corporate decisions will disproportionately affect those populations. This correlation between socioeconomic characteristics and investor activity is further illustrated by Maps 6 and 7 which

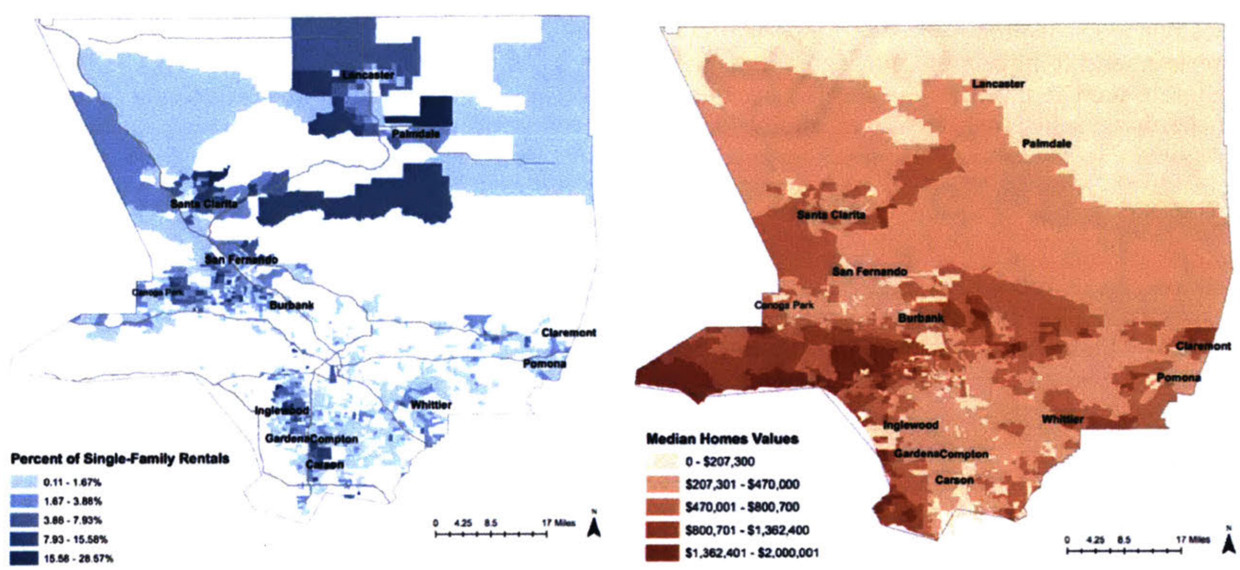
show the spatial relationships in LA County between investor activity and the percent of African-American residents and investor activity and median home values.

While the regression analyses, comparison of means, and maps provide a broad understanding of which neighborhoods are most impacted, the quantitative and spatial data alone may not help city officials or local advocates understand the nuanced risk faced by particular communities. In the next section of this analysis, I will show how the financialization and institutionalization of single-family rental housing could impact neighborhoods differently depending on market conditions and geographic locations.

Map 6: The Number of Homes Owned by Large Single-Family Rental Companies Compared with the Percentage of African-Americans (Los Angeles County)



Map 7: The Share of Single-Family Rentals Owned by the Larges Companies Compared with the Median Home Value (Los Angeles County)



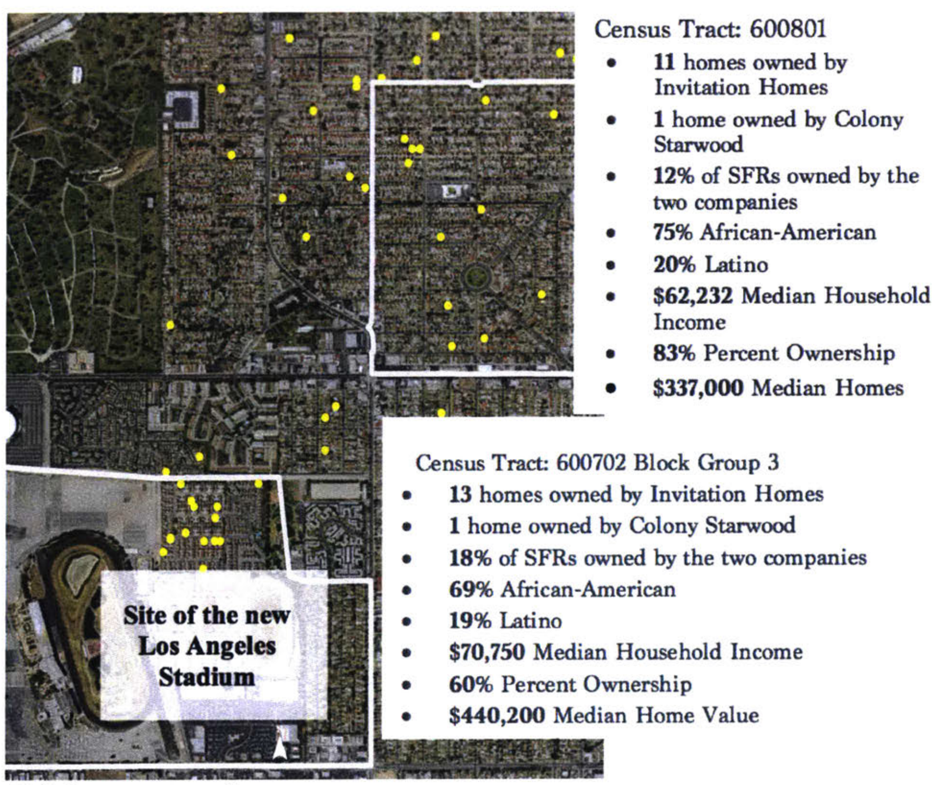
A Closer Examination: The Tale of Two Census Tracts

The following two examples in Inglewood and Lancaster show how location, population, and broader neighborhood investment trends may change the risks associated with the of the rise of single-family rental housing as an institutionally controlled asset class. Whereas Inglewood is facing displacement and gentrification pressures, Lancaster is vulnerable to increased sprawling development and the continued suburbanization of poverty.

Inglewood near the New Stadium

The area around the new Los Angeles Stadium in Inglewood provides an interesting example of a community that is both disproportionately impacted by large single-family rental companies and an area at heightened risk of gentrification and displacement. The $200 million Los Angeles Stadium at Hollywood Park (shown in the map below) is currently under construction and the stadium has led to a boom in real estate speculation and increased rents. Because single-family rental companies own hundreds of homes in the area, monitoring the acquisition, sales, and rental data for these companies will help policy makers and residents understand potential trends in displacement and housing affordability. In the census tract and census block group shown in the map below Invitation Homes and Colony Starwood Homes own 27 total homes. Additionally, in the ten adjacent census tracts the two companies own nearly 120 additional units (101 of which are owned by Invitation Homes)[18]. This area exemplifies the results from the previous analysis which showed that investor ownership is highly correlated with middle-income, African-American communities. The census tract and block group profiled below are majority African-American (75% and 69%) and solidly middle class, with median household incomes higher than the rest of the County. In fact, the neighborhood directly north of the stadium, where there is the greatest concentration of homes owned by private-equity firms, is a gated community called the Renaissance. The Renaissance is governed by a homeowners association that has the power to enact deed restrictions that determine rules for renting and owning properties in the development. The HOA could thus play a critical role in assessing and managing risk by tracking sales and acquisitions and monitoring evictions, tenant turnover, and rent increases.

Map 8: Single-family Rental Owned by the Largest Companies: Inglewood



Each dot represents one home

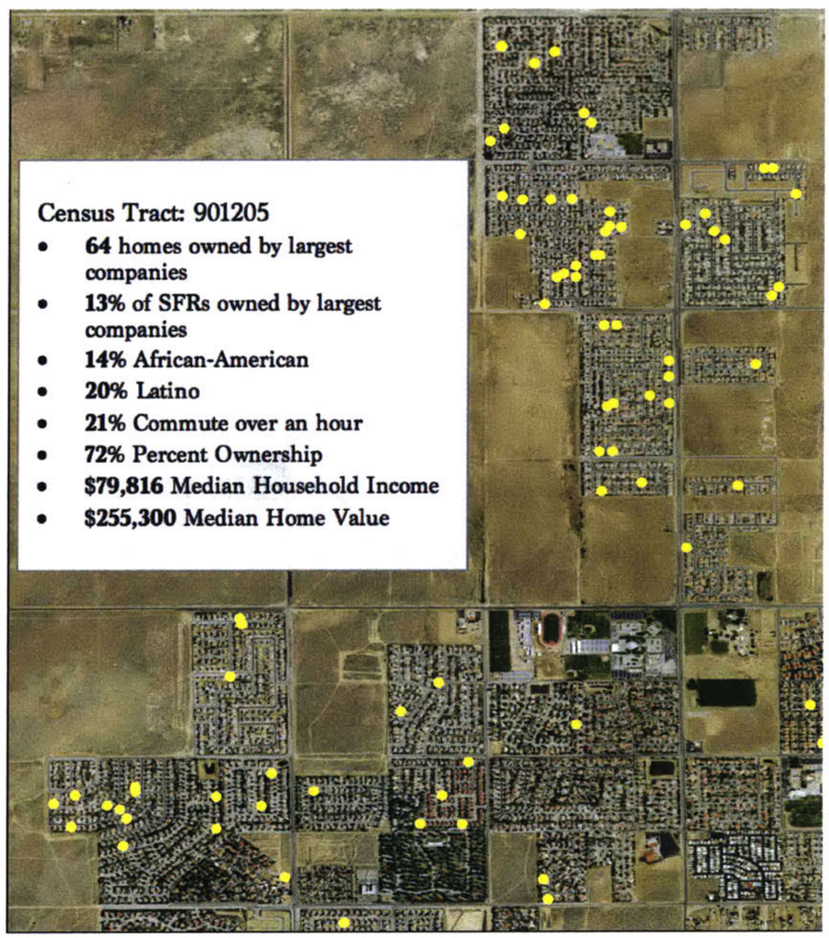
[18] Includes census tracts 600802, 600704, 238100, 237300, 237900, 235202, 235201, 238400, 234800, 238000

WESTERN LANCASTER

Seventy miles north of Inglewood in the City of Lancaster, the risks associated with an increased concentration of institutionalized and financialized single-family rental housing are very different. Lancaster, a city located in the Mojave Desert with a population of 160,000, has 378 single-family rental homes owned by the largest companies and three census tracts with more than 30 homes owned by these companies. The city has become increasingly diverse in recent years, as middle-income families have moved away from urban centers and into the more affordable suburbs. The increase in African-American and Latino families has led to community tension and allegations of housing discrimination. The census tract profiled below reflects the changing demographics, and while White residents still comprise a majority, the percentage of African-Americans in the area is twice that of California and substantially higher than the percentage of African-Americans in the County. Additionally, the median home price in the neighborhood profiled below is about half that of LA County ($225,300 compared to $441,900), meaning that the area is more affordable to middle-income families. While the housing may be affordable, there are very few jobs in the area. According to a job index developed by HUD, the neighborhoods in and around the census tract shown below have an average job score of 14 out of 100 (a score of 0 indicates that a neighborhood has no employers in the area and 100 indicates that a neighborhood has the highest concentration of employers and job centers). A lack of neighborhood jobs means that residents must commute to access employment, and within the census tract shown below, 20% of residents commute over one hour each way to work. High commute times may increase the cost of transportation and childcare, resulting in greater financial insecurity, even for families making middle-class wages. Raising rental prices will only exacerbate this existing insecurity.

As shown in Map 9, Lancaster has a lot of room to grow and several cul-de-sacs are only half completed. An increase in capital (from private equity landlords) combined with increasing gentrification in LA's urban core could spur new home construction and increase urban sprawl. In this way, Lancaster not only illustrates the disproportionate impact of investment on Black neighborhoods, but also the potential impact of financialization on driving land use and demographic changes. Understanding the nuanced risks facing each individual community is vital in understanding how to properly monitor, mitigate, and respond to the potential risks posed by the further financialization and institutionalization of single-family rental housing

Map 9: Single-family Rentals Owned by the Largest Companies: Lancaster



Each dot represents one home

ASSESSMENT 2: TENANT SURVEY

The exposure analysis allows policy makers to better understand the geographic concentrations of financialized and institutionalized single-family rental units as well as the socioeconomic demographics of the neighborhoods most exposed. However, it does not provide any information on the experience of tenants living in these properties or the specific risks they may face. In order to gain some insight regarding tenants' experiences, I conducted a survey in Los Angeles County from January to April of 2017, and spoke with 100 households living in properties owned by the largest single-family rental companies. The survey included questions regarding maintenance issues, rent increases, and threats of eviction. To my knowledge, this is the largest survey of its kind ever conducted.

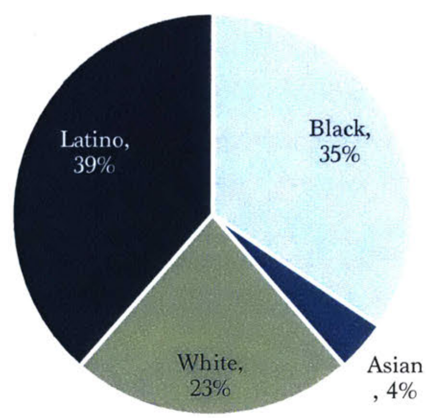
The community organization Strategic Action for a Just Economy (SAJE) and Occupy our Homes Atlanta conducted a similar but more in depth survey with Invitation Homes tenants in the City of Los Angeles, Riverside, and Atlanta in 2014. However, organizers were only able to speak with 25 tenants in Los Angeles, 26 residents in Riverside, and 25 renters in Atlanta. Additionally, the survey only included Invitation Homes tenants and, unlike my survey, did not include an analysis of rent increases. In order to better compare my results with this previous survey and to avoid bothering the same tenants, I deliberately did not visit any of the homes that participated in the previous study by SAJE.

The results of my survey, as well as a comparison of my results with the survey conducted by SAJE are described below. Overall, I found that the rental rates charged by the largest landlords are unaffordable to the majority of LA County residents, rents appear to increase between 5 and 9% each year, and tenants are absorbing a significant amount of the property maintenance costs. I also found that tenants are generally content with the property maintenance and very few of the units I surveyed had serious habitability concerns.

DEMOGRAPHICS OF TENANTS

Based on the surveys, the majority of residents renting from the largest single-family rental companies are people of color. As shown in Figure 17, 35% of the residents surveyed identified as Black or African-American, 39% Latino, 23% White and 4% Asian.

Figure 17: Percent of Tenants by Race



These findings are somewhat consistent with the survey conducted by SAJE which found that 36% of respondents identified as Latino and 48% identified as Black or African-American. SAJE's survey likely had a higher percentage of African-American respondents because the sample only included residents living in Los Angeles City, and did not include residents in some of the Whiter and more Latino suburbs in eastern LA County and the San Fernando Valley.

The household incomes reported by tenants varied dramatically. Of the 35 tenants who reported their median household incomes, 13 said they had a household income of $100,000 or more, nine reported incomes between $70,000 and $90,000, six reported household incomes between $50,000 and $60,000, and seven reported household incomes below $60,000. Nearly 50% of all surveyed households had more than two adults living in the home, and 30% of homes had more than four adult tenants. This suggests that families or individuals are doubling up or tripling up in order to increase their household earnings and afford the rents. While a few of the surveyed households appeared to be single roommates living

together, most were multigenerational or non-traditional families, and 61% of all households had at least one child under the age of 18.

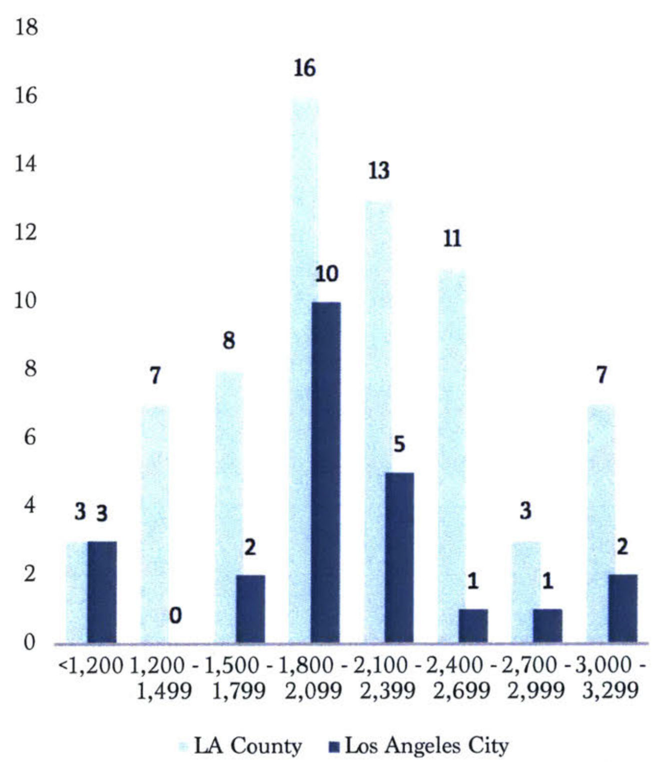
Most tenants had been long-time renters but many were looking to own a home in the next few years. Approximately 18 tenants said that they had owned a home before and 22 said they were currently looking to own now or in the next couple of years. The most common reasons why tenants said they were not looking to own was due to bad credit or the unaffordability of the housing market. Only five tenants I spoke with explicitly said that it was not the right time in their life to own a home.

AVERAGE RENTS:

The average rent reported by all tenants in LA County was $2,130, which is $900 more than the median rent for the county[19]. This means that a family paying 30% of its income on rent would have to make over $85,000 per year, or $29,000 more than the county median household income.

While this rental rate is unaffordable to most families, it does appear consistent with the rent index developed by Zillow. According to Zillow's rent index, the average 2016 rents for single-family homes in the zip codes I surveyed was approximately $2,233[20]. This may mean that private-equity backed single-family rental companies are charging "market rate", or it may mean that the companies and Zillow are using similar "proprietary" formulas to estimate rents. According to Zillow, the companies "rent Zestimate" uses a formula to determine rents that is based on "public property data and similar listings". If large single-family companies post the majority of single-family rentals in a zip code, it could skew the "Zestimate" and artificially inflate prices.

Figure 18: Number of Residents by Rents Reported



According to Zillow, the average rent for the same zip codes in 2012 was $1,836, meaning that rents over four years have increased by 22% (about 5% per year). In comparing the average rents from the 2014 SAJE survey with the survey I conducted three years later, I found nearly an identical average rate of increase. Of the 24 tenants that I surveyed who lived in Los Angeles city and disclosed their current rent, the average rent reported was $2,009, about 15% higher than the average rent of $1,740 reported by SAJE in 2014. This suggests that on average, rental rates have increase 5% per year which is the same as the Zillow reported amount.

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[19] According to the 2011-2015 American Community Survey the average rental housing cost was $1,231.

[20] Home where I successfully completed surveys were located in the following zip codes: 93552 (Palmdale), 93551 (Palmdale), 93536 (Lancaster), 93535 (Lancaster), 93534 (Lancaster), 91343 (LA), 91342 (LA), 91335(LA), 91331(LA), 91307(LA), 91306 (LA), 90746 (Carson), 90606 (West Whittier), 90306 (Inglewood), 90222 (Compton), 90220 (Compton), 90062 (LA), 90047 (LA), 90044 (LA), 90043, 90037 (LA), 90018 (LA), 90011 (LA), 90008 (LA),, 90003 (LA),, 90002 (LA), 9001 (Florence Graham)

RENT INCREASES:

Of the 75 tenants who lived in their unit for over a year, 58 tenants (77%) reported rent increases. The average rent increase last year as reported by tenants was $171 per month, a roughly 9% increase from the previous year's rent[21]. Additionally, the average rent increase per year of tenancy, was nearly identical at $166[22]. This indicates that tenants not only face initial rent increases after their first year of tenancy, but also subsequent rent increases of nearly $2,000 for each year that they continue to rent.

While there appears to be some difference in rental increases between Invitation Homes and Colony Starwood, the sample size of the survey is too small to draw any definite conclusions. The average rent increase reported by the 18 residents of Invitation Homes was $183 last year (about a 9% increase from the previous year), whereas the average rent increase for the 33 Colony Starwood Homes residents was $156 (about 7%). A more detailed survey design that compares rental increases amongst similar properties in similar neighborhoods would provide a better assessment of potentially different corporate rental practices.

Understanding the average rent increases may help policy makers assess the overall market trends, however, an overemphasis on the "average tenant experience" may obscure the experiences of the outliers who face the greatest vulnerability and risk. As shown on the chart to the left, eight people reported an annual rent increase of over $300 and one person reported an increase of nearly 20% ($400). The Invitation Homes' tenant who reported the $400 increase said that he believes the company is trying to push him out and said the company was unwilling to negotiate. A Colony Starwood tenant living in Lancaster allowed me to photograph the rent renewal form she received, which increased the rent by $350 for an annual renewal and by $420 if the tenant switched to month to month (see Appendix 4). Such dramatic rent increases

Figure 19: Number of Resident by Reported Rent Increase for Last Year

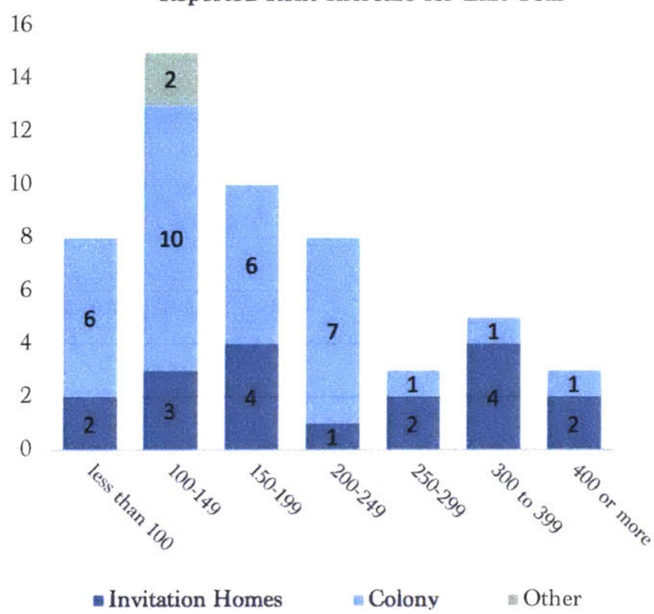
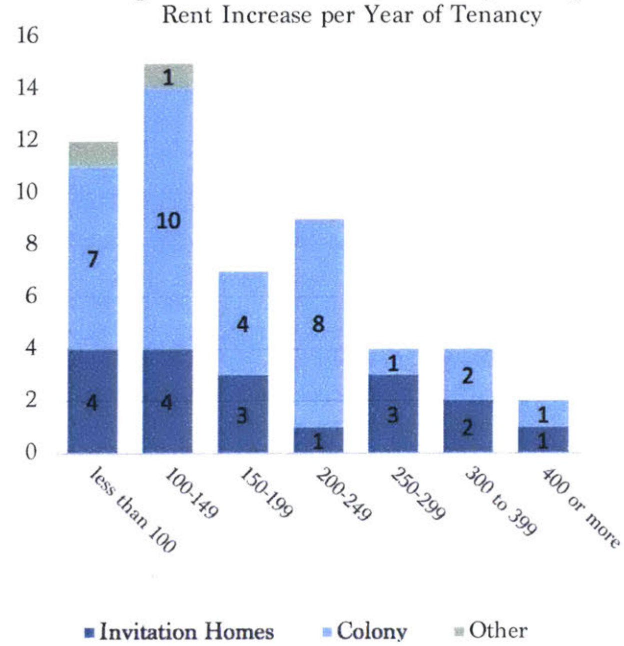


Figure 20: Number of Residents by Average Rent Increase per Year of Tenancy



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[21] For all of the averages, I excluded two residents with housing choice vouchers (section 8) and two residents who lived in multifamily rent control building since these residents have different legal protections.

[22] I calculated the average rent increase per year of tenancy by subtracting the tenants reported start rent from their current rent and divided by the years of tenancy.

put tenants at severe risk of housing insecurity which can lead to homelessness, disruption in children's education, evictions and other negative social impacts. Thus community developers must not only monitor the "average experience", but also develop regulation and risk mitigation strategies to prevent harm to the most vulnerable, even if it is a minority of tenants.

Overall, the rent increases appeared to be the greatest source of discontent among tenants. A Los Angeles tenant living in an Invitation Homes property said the company wanted to increase the rents by $500 if he did not sign a two-year lease and an Invitation Homes tenant in Carson said that her two-year rental contract required 7% increases each year. A Colony Starwood tenant living in Lancaster said "it feels like we are being ripped off...what is the justification for these rent increases?" and said she and her husband want to pursue a class-action lawsuit against the company. She explained that the contract, which is 34 pages long, is too confusing and puts all of the maintenance cost onto tenants (see Appendix 7 for an excerpt of her lease). Similarly, a Colony Starwood tenant living in Los Angeles, who moved into the property after her husband died and she lost her home, said "I just want a plain rent without it going up". By "plain rent" she explained that she wanted a rent that did not require her to obtain insurance, pay for maintenance and landscaping, and have regular rent increases. "I got to get up out of here but Lord I need a roof over my head" she told me. The tenant, who currently lives with her adult grandson, said that it will take her two years to save enough money to be able to afford the security deposit and moving expenses to relocate.

Several tenants said that if the rents continue to increase they will leave, and a few expressed frustration that rent control did not cover single-family rental homes. An Invitation Homes tenant in South Los Angeles said, she called the housing department after receiving a $200 increase per month, but the housing authority said the increase was legal. She also tried to negotiate with the landlords but to no avail. "They said the housing markets have been going up and there are a lot of tenants who would want to rent here ... but I grew up here. I'm a teacher at the school here ... housing markets may have gone up but we've been here paying our rent every month" the tenant said.

HABITABILITY CONCERNS & AUXILIARY COSTS:

The majority of tenants expressed satisfaction with the property maintenance. Twenty-eight people out of the 100 I spoke with reported habitability concerns, most of which were related to mold or infestations. Of the 28 properties with maintenance concerns, 15 reported infestations, 13 reported mold, six reported leaks, and five reported severe structural problems. Several residents said they have been charged in the past for maintenance expenses and now take care of regular maintenance themselves.

Additionally, some tenants in Colony Starwood homes said that in their contract they were only allowed one or two fumigations per year and one pipe cleaning. A tenant in Sylmar said that as a result, he was once charged $240 to have the pipes snaked and now he does all the repairs himself. "They are hurting us financially... they are swindling us. It's ridiculous" he told me. His nearby neighbor living in a house owned by Invitation Homes said the maintenance company "fixes [the property] enough to bring it up to standard but you have to pay for that". In addition to ongoing maintenance costs, many tenants, particularly tenants from Colony Starwood, said they are also paying upwards of $100 per month for landscaping that is required by their lease and they are required to purchase $140 rental insurance each year.

ASSESSMENT 3: ACQUISITION AND SALES ANALYSIS:

In order to understand the potential impacts of large single-family rental companies on home sales, I also conducted an acquisition and sales analysis using assessment data from Los Angeles County. Since assessment data provides detailed ownership information and indicates if a property qualifies for a homeowner exemption, this kind of analysis could allow community development professionals to better monitor the impact of large companies' acquisition and disposition patterns over time.

In this analysis, I used the assessment rolls from Los Angeles County for FY 2012-2013, FY 2013-2014, FY 2014-2015, and FY 2015-2016 to identify properties owned by the largest institutional investors. I then compared the properties owned in 2016 to those owned in 2015, those owned in 2015 to those in 2014, etc. Based on this analysis I found that Invitation Homes and Colony Starwood purchased the largest number of homes in 2013, but that both companies, and particularly Invitation Homes, continue to aggressively acquire new homes. Many of these homes were formerly occupied by homeowners (as indicated by the homeowner exemption on the assessment roll).

Through this analysis, I also found that in 2015, American Homes 4 Rent sold 72 homes to Invitation Homes, despite the fact that the two are supposedly competitors. I have listed all 72 properties in Appendix 5. This kind of "insider trading" could decrease competition and violate anti-trust laws that restrict monopolistic or oligopolistic business practices.

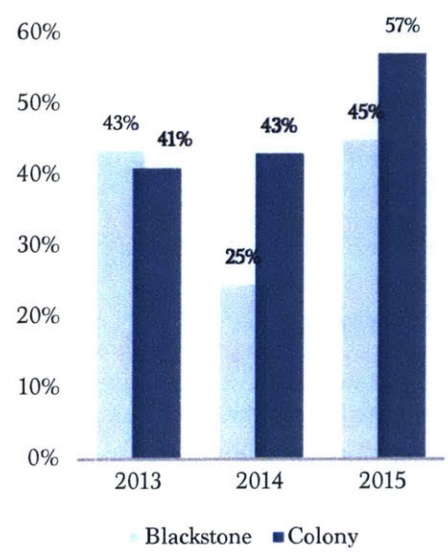
Figure 21: Los Angeles County: Invitation Homes Properties Purchased and Sold

Year	Total Purchased	Homes previously occupied by homeowner	Total Sold	Sold to homeowner	Net
2013	1067	464	0		1067
2014	577	142	1	1	576
2015	291	131	5	0	286
				2016	1929

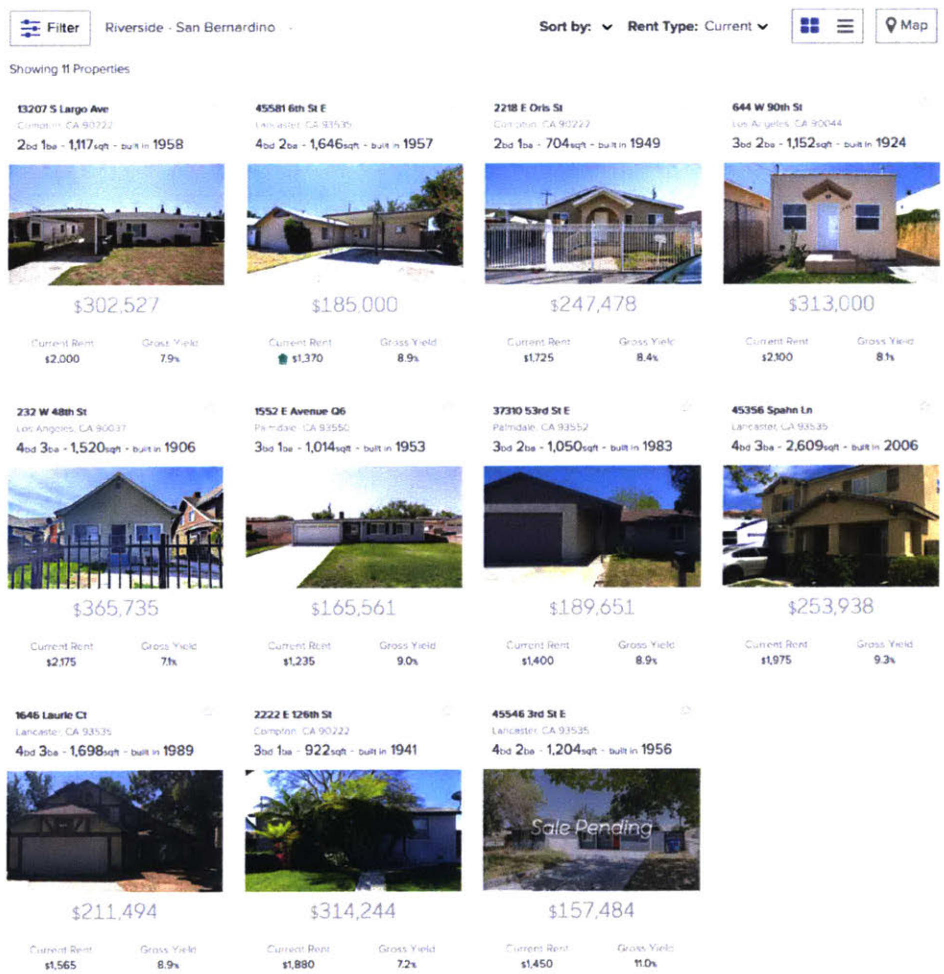
Figure 22: Los Angeles County: Colony Starwood Homes Properties Purchased and Sold

Year	Total Purchased	Homes previously occupied by homeowner	Total Sold	Sold to homeowner	Net
2013	398	163	0		398
2014	654	282	6	1	648
2015	28	16	42	7	-14
				2016	1032

Figure 23: Percent of Homes Purchased from Homeowners



In addition to monitoring assessment records, local communities should also track property sales on new sales websites like Roofstock, HomeUnion, and OwnAmerica. Roofstock, which is the only company operating in California, was launched in March of 2016 by the former CEO of Starwood Waypoint. According to the website the platform "enables investors to treat their real estate investments more like stock portfolios" and corrects the "inefficiencies in the current rental market...by taking the guesswork out of investing in residential rental properties and maximizing the value to investors by creating efficiencies in a historically inefficient and cumbersome process." Roofstock and similar websites are part of a greater liquidity project within the single-family rental market. As OwnAmerica's CEO says, "We as an industry figured out how to buy homes a few years ago...now we are trying to figure out how to sell them." (Pender 2016).



The new website claims that it has local market expertise to assess the projected value of homes and rents, however, given that nearly all of the properties in the company's "Riverside San Bernardino" market, are actually located in Los Angeles, Compton, and Lancaster, that "local expertise" is highly questionable (see screenshot on the right).

Understanding patterns in sales and purchases on the website will help local communities better monitor and address the impacts of large single-family rental companies. For example, all of the Southern California properties currently listed on the website, are owned by Colony Starwood Homes. Tracking who purchases these homes and the impacts on tenants may justify the need for a selective sales tax to discourage investor ownership or inspire lawmakers to pass laws that enhance tenant protections.

Roofstock claims that it reduces risks to tenants by insuring that investors can buy and sell homes without disturbing the residents. However, according to the company, prior to a sale, Roofstock hires third-party inspectors to make sure tenants are current on their rent, paid a security deposit, passed a criminal background check and earned at least three times the rent when they signed the lease (Pender 2016). It is unclear what happens to the tenants if these conditions are not met.

ASSESSMENT 4: EVICTION MONITORING:

Evictions pose the greatest risk to tenants and local governments should carefully monitor the eviction rates of large single-family rental companies. The Federal Reserve of Atlanta developed a methodology for conducting an eviction analysis that indicates that large single-family rental companies are evicting tenants at a higher rate than "mom-and-pop" owners. In December of 2016, researchers at the Federal Reserve of Atlanta used publically-available parcel-level eviction data from Fulton County, to show that large institutional investors like Colony Starwood, American Homes 4 Rent, and Havenbrook homes all have higher rates of eviction than other single-family rental owners (see Figure 24). According to the study's results, the largest investors in single-family rental properties were 18% more likely to issue eviction notices than small landlords, even when controlling for property and neighborhood characteristics. Additionally, researchers found that over 30% of all County evictions were filed by Colony Starwood, nearly 25% by American Homes 4 Rent, and nearly 15% by Invitation Homes. It is still unclear why some companies have such higher rates of evictions than others.

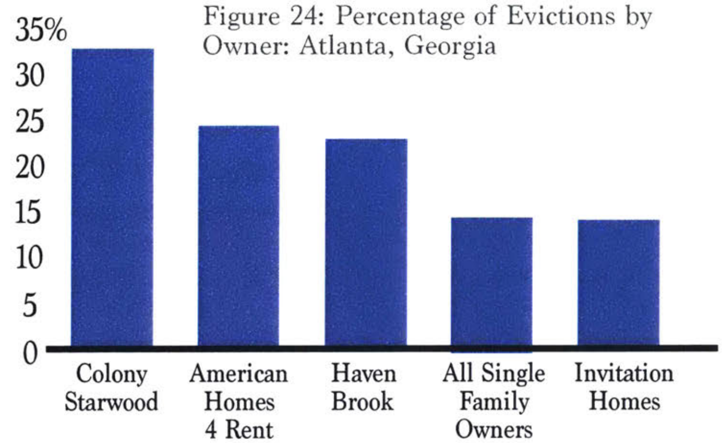


Figure 24: Percentage of Evictions by Owner: Atlanta, Georgia

Source: Georgia State University Professor Ben Miller reported in Bloomberg news

Unfortunately, I was not able to conduct a similar assessment of evictions for Los Angeles County or California because the data is not available publically. However, I did find anecdotal evidence to suggest that evictions by large single-family rental companies may be a common occurrence. Over the fifteen days that I conducted the tenant survey, I found four notices of eviction, including two court orders and two notices to pay or quit (see Appendix 6 for photos). At one home in the San Fernando Valley, Invitation Homes posted a pay or quit notice on the front door of a home next to a large "keep out" sign. The home was also covered in caution tape and there was a large construction cone in front of the door. Marking the home in such a dramatic way may be a tactic used by the company to shame or humiliate tenants.

Additionally, in the survey, three tenants reported receiving an eviction notice due to late payments of two or three days. One tenant said she received a three-day notice to pay or quit on her door and a $100 late fee due to an outstanding rental balance of just $40. The Colony Starwood tenant who lives in Los Angeles explained that her social security check arrived on the third of the month and she had to wait until then to pay the remaining $40. Even though the payment was only three days late, the company refused to waive the $100 late fine. Similarly, another Colony Starwood tenant who is living with three roommates said that within two days of late payment, his household received a three-day notice taped to their door and a $100 late fee. Management companies may be using unforgiving automated systems to generate notices to quit and assess late payments, which may leave tenants with little room for negotiation. As previously mentioned, evictions can devastate families lives, disrupt children's education, and make it nearly impossible to find another home.

CHAPTER 8: RECOMMENDATIONS & CONCLUSIONS

The four alternative risk analyses described in Chapter 7 contest the dominant discourse of financial risk by reconceptualizing risk and hazard as beyond just financial losses to investors. Furthermore, the analyses provide important implications for redefining the identities and roles of "risk actors".

Using the results of the alternative risk assessment frameworks, risk bearers are redefined as primarily Latino and African-American tenants living in communities with disproportionately high African-American populations, lower median home values, less job access and higher commute times. These tenants may live in areas like Lancaster that are vulnerable to increased sprawl and the suburbanization of poverty, or they may be located in areas experiencing gentrification and displacement pressures like Inglewood. These risk bearers face average rent increases between $160 and $170 per month per year, likely have higher rates of eviction, and may be paying more for home maintenance and other unanticipated costs. Prospective homebuyers also bear the risk of being crowded out of local markets as companies speculate in gentrifying areas (as shown in the case of Inglewood) and buy and sell homes amongst each other (as suggested by the acquisition and sales analysis). Additionally, if increased capital from single-family rental companies results in further sprawl and higher commute times, risk bearers may include the environment, people with asthma and respiratory problems, commuters impacted by traffic, and children whose parents have to spend two hours a day commuting.

The risk assessors and risk managers who then become responsible to mitigate and prevent risk are local and state governments, homeowners associations, tenants' rights groups, civil rights organizations, relators, environmental groups, and eviction defense attorneys and other legal advocates. Thus the process of reconceptualizing risk and risk assessment can lead to greater political coalitions capable of advancing strategies to protect the most vulnerable and reduce the potential "collateralized damages" described in Chapter 6.

Using the alternative analyses, "risk producers" are defined as large single-family rental companies that develop corporate policies to unfairly increase rents or evict tenants without negotiation. While this thesis provided evidence and documentation to explain why companies may enact these unjust business strategies and practices, my research did not thoroughly examine how various companies may produce risks differently or for different populations. Subsequent analysis should pay greater attention to the possible differences amongst the companies and the impacts those differences may have on vulnerable populations.

Reconceptualizing risk and risk actors, is not just a matter of semantics, it is a process through which the public and policy makers can reconceive of the financial market as embedded within larger societal relationships and reimagine themselves as capital market regulators. Thus, the purpose of an alternative analysis is not only to deconstruct the dominant discourse of risk, but to challenge the dominant discourse of the economy, which imagines financial markets as "free" from politics and societal norms. My intention in proposing new frameworks for reconceptualizing risk is not to advocate for technocratic "data driven" policy, but rather to propose one concrete step that communities can take to interrogate the intersection of financial regulation and community development, recognize the contradictions inherent in planning communities without attempting to plan economies, and advance a more proactive vision of economic justice and democracy.

Recommendations for Assessing and Monitoring Risk

The first step in advancing a more just and democratic method of risk assessment and evaluation is for local, state, and national government agencies to recognize that large single-family rental companies will and have shifted risks onto tenants and acknowledge that the public sector has the responsibility to monitor and assess those risks. While the tenant survey described in the previous section provides important data on tenants' conditions, demographics, and experiences, it is difficult to implement and execute. I spent twelve days and an average of five hours per day visiting over 300 homes and was still only able to speak with 100 tenants. This methodology is simply not feasible on a large or ongoing scale. Policymakers could instead require large companies to report their rent rolls and any information on rent increases and planned eviction proceedings. This information is already systematized and reported to investors and rating agencies and there is no reason it could not feasibly be shared with policy makers as well.

A range of policy actors at different scales of government could be responsible for requiring and collecting this information, responding to emerging community risks, and providing greater disclosure to local communities and tenants. At a national level, the Consumer Financial Protection Bureau could expand its scope to monitor the rent rolls of large single-family rental companies and oversee the tenant selection, eviction, and property maintenance complaint process. The CFPB could also provide greater resources for tenants and establish a "whistleblower" system where employees of these companies can report unethical practices. The CFPB established this "whistleblower" system for bank employees and the information gathered from the confidential sources has led to major legal investigations into predatory auto loans and mortgage lending. It is unlikely, however, that the CFPB will be able to expand its operational authority or scope of work given the current administration's explicit desire to remove the agency entirely. Additionally, the SEC could require that companies adopt a broader notion of risk disclosure that includes an analysis of the social and environmental hazards related to their business practices. To do so would require the SEC to acknowledge that it has a responsibility to protect both those within the capital markets and those impacted by the capital markets.

At a state level California could create an office of Ombudsman for tenants, as proposed by various housing justice groups (Inglis 2015). California already has an Office of a Mobile Home Ombudsman who receives and process complaints related to manufactured or mobile homes. California could create a similar office to monitor and respond to complaints of tenants renting from the largest single-family rental companies. The Ombudsman could also create a statewide clearinghouse where tenants and community organization can access data about single-family rental companies and file complaints regarding rent increases, deferred maintenance, or other issues. Tenants have already been using websites like Yelp and the Better Business Bureau to review companies and integrating those kinds of complaints with regulatory oversight and legal power would better prevent companies from shifting risks and burdens onto tenants. The Ombudsman could be funded by a speculation tax as currently proposed by a group of housing justice organizations[23] or through a general fund allocation.

Additionally, the California State Housing and Community Development Department (HCD) could monitor the impact of institutional ownership on local housing markets by conducting an annual or quarterly analysis of rental increases and home sales in the cities and neighborhoods most exposed to large single-family rental companies. This analysis should also include an assessment of companies' land banking practices and deals between home builders and single-family rental companies to ensure that new forms of capital do not drive unsustainable land use practices. HCD already coordinates and oversees the State's housing element law, which requires that every city and county develop a 5-year

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[23] At the time of writing this, a coalition of housing justice organizations was pushing for a state-wide speculation tax on properties owned by large corporate landlords. The text and author of the bill is still under negotiation.

plan to meet the housing needs of residents at a variety of income levels. As part of the agency's ongoing research and technical assistance programs, HCD could help develop the capacity of local governments to monitor emerging risks resulting from the increasing financialization and institutionalization of rental housing.

At a county level, assessor's offices and superior courts can play an important role in sharing existing data. Assessor's offices have up-to-date ownership data for every property in the county, however, in California this data is not public and is often very expensive. For example, Sacramento County's assessment roll cost $1,428. Making this data more accessible will allow advocacy organizations and the press to conduct the acquisition and sales analysis described in Chapter 7. County superior courts should also ensure that eviction data is publically accessible so that community organizations and legal advocates can track eviction rates. Currently, eviction data is only available through tenant screening services, not to the general public. This prohibits advocacy groups from conducting a comparative eviction analysis like the one done by the Federal Reserve Bank of Atlanta (see Chapter 7).

Finally, at a city level, local governments could pass ordinances requiring large companies to disclose data to the city's housing department. Local housing departments could then monitor changes in the rental and homeownership markets and assess the impacts on tenants and prospective home buyers. This proposal is more feasible in larger cities like Los Angeles that already have large housing departments with systematized ways of responding to tenant complaints regarding rent control violations and habitability concerns. Local ordinances that include a tax or fee on properties owned by the largest companies could provide a reliable revenue stream that would help smaller cities monitor risk as well. Ongoing assessment of the impact of large single-family rental companies should be included in the housing planning documents required by California and HUD (such as the Consolidated and the California Housing Element) and addressed through specific policies and programs. To assist in monitoring and mitigating risk, cities and neighborhoods most impacted by single-family rental housing should form partnerships or coalitions to share data related to evictions, code enforcement, and rent increases.

At all levels of oversight, advocates and journalists play a critical role in helping to identify new and emerging risks. Fair housing organizations, community organizing groups, and legal services can all help identify risks facing tenants and build the political will needed to pass local and state legislation. Most of these groups currently work in low-income neighborhoods within large cities and may need to shift their geographic scope to include lower density suburbs (like Lancaster and the San Fernando Valley) and higher income areas like the gated communities in Inglewood and Carson. As Leyshon and Langley argue, these middle-class suburbs play a vital role in understanding how "quotidian spaces" reproduce global systems of finance and create distinct "financial ecologies" (Leyshon et al. 2004; Langley, 2006). Any campaign to expose and question financialization and its impacts, will require deeper organizing and engagement in these areas.

Recommendations for Mitigating and Preventing Risk

Monitoring the risks resulting from the institutionalization and financialization of housing is useless unless there is political will to enact policies and regulation to proactively advance tenant protections and increase access to homeownership for low- and moderate- income communities.

At a national level, community advocates have proposed a national transaction fee on single-family rental securitizations that would increase the cost of capital and raise additional revenue for affordable housing (Inglis 2015). They have also voiced opposition for Fannie Mae's recent decision to securitize a loan to Invitation Homes by Wells Fargo. Increased taxes, fees, and regulations are tangible, concrete strategies for increasing the accountability of financial markets and advocating for more distributional outcomes. However, to avoid furthering a "social market reformist approach", campaigns for minor regulations or increased taxes should be situated within a broader narrative of economic justice and accountability.

Advocates should also monitor federal agencies like the FHFA, FHA, CFPB and Bank regulators. As mentioned in Chapter 5, the FHFA has oversight over Fannie Mae and Freddie Macs involvement in the single-family rental industry and the FHA may extend its mortgage insurance program for single-family rental companies. Similarly, banks may claim that loans to Invitation Homes and Colony Starwood should count towards their CRA credit, which as mentioned in Chapter 5, may encourage more loans for the largest single-family rental companies and may divert lending away from affordable housing and small business assistance. These minor regulatory changes and incentives would provide both symbolic support for the industry and result in further government subsidies for the largest single-family rental companies. Housing advocates and policy makers should remain vigilant to these possible changes and either explicitly campaign against federal support for large private-equity backed firms, or as some advocates argue, require any government credit support or subsidies to include affordability requirements and increased tenant protections.

While national advocacy for economic justice will likely be increasingly difficult during the Trump administration, some of the leadership within these agencies may be receptive to policy and programmatic regulations that limit speculation and advance homeownership. For example, Mel Watt, the director of the FHFA, will remain in his position until 2019. Watt, a former North Carolina Representative who has a history of advocating for affordable housing, was appointed by President Obama and may be more receptive to potential policy reforms that encourage tenant protections and affordable homeownership.

In California, the most urgent action law-makers could take to protect tenants is to repeal the Costa-Hawkins Rental Housing Act. The Costa-Hawkins act was passed in 1995 and prohibits cities from applying rent control to condos and single-family homes. Repealing or amending the Costa-Hawkins Act would provide cities and counties with greater power to enact rent control ordinances that cap rental increases at the cost of inflation. Repealing Costa-Hawkins would also allow cities with existing rent control laws to more easily expand their provisions to include single-family homes. None of the twelve California cities with rent control currently include single-family rental homes under their laws because at the time the ordinances passed, most single-family rental units were controlled by small mom-and-pop owners. Broadening rent control to include properties owned by the largest single-family rental companies may be more politically feasible and could better protect tenants. Local communities could also enact just cause eviction laws that prevent arbitrary evictions by requiring landlords to have a reason for refusing to renew a tenant's lease (for example breach of contract or nonpayment of rent).

Neoliberal economists argue that rent control distorts the housing market and limits resident choice (Friedman 2009). Yet the principle of rent control is not that fundamentally different from the interest rate caps and fixed interest loans used by market actors. Interest rate caps, which are required as part of most single-family rental securitization deals, allow debt investors to hedge against interest rate inflation, while fixed-rate loans allow borrowers to protect themselves against rising interest payments by locking in a pre-defined rate. Essentially, rent control allows tenants to similarly hedge against rising rents by locking in a pre-defined rental rate. Yet while all three financial tools use similar logics aimed at preventing future losses or ensuring future gains, economists only categorize rent control as a "market distortion".

To provide greater opportunities for potential homebuyers, cities and counties could enact laws to tax the purchase of homes by large single-family rental companies and tax the sale of homes by companies to other institutional owners. Tax on sales could discourage investor purchases and encourage single-family rental companies to sell their homes to owner-occupied buyers. However, if companies are only selling their worst properties to homeowners while maintaining their best properties as rentals, this could pose additional risks to low- and moderate-income buyers who may face added home maintenance and renovation costs.

Additionally, local governments could also expand the scope of inclusionary zoning to include single-family rental units. Inclusionary zoning requires a certain percentage of new units to be made available to low- or moderate-income tenants or homebuyers. Currently, most inclusionary zoning ordinances are designed to establish a rent ceiling for multifamily units or create affordability covenants for condo or single-family home sales. Single-family rental units do not fit under either of these criteria. Since single-family rental companies are increasingly working with property developers for new construction, expanding the scope of inclusionary zoning to include single-family rentals is an important policy tool. However, while inclusionary housing may be a helpful policy strategy for new build construction, it will likely not provide affordability protection for existing units. More research should be done to determine if inclusionary zoning requirements can extend to existing or rehabilitated units that have concentrated ownership structures. It is unclear from my initial inquiries if requiring single-family rental housing providers to operate a certain percentage of their existing units as affordable would constitute a "takings" under property law.

Lastly, state pension funds can choose to divest from single-family rental companies or their parent private equity firms. In California, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) control a combined $521.7 billion and have considerable power to impact the capital markets. The California Constitution authorizes the Legislature to prohibit pension investments if doing so is "in the public interest". In 2016, Assemblymember Calderon proposed a bill that would prohibit CalSTRS and the CalPERS from investment in securitized home rental properties. The bill was amended in committee to require the pension funds to "evaluate their investment in securitized home rental properties" and to appoint an independent ombudsman to implement a system of oversight and enforcement related to single-family rental securitization (Calderon 2016a). While the legislation failed to garner enough political support, it is demonstrative of a way that advocates and local and state governments can work together to advance a more democratic vision of financial markets.

CONCLUSION:

As illustrated throughout this thesis, the rise of single-family rental housing as a financialized and institutionalized asset class represents a revolutionary change in the political economy of housing. While federal regulation allowed for and encouraged this transformation, federal, state, and local governments are now reluctant to intervene in the "market" even if greater regulation could protect tenants and provide greater opportunities for homeownership. By allowing the financial industry to self-regulate access to the capital markets without requiring any broader discussion of housing policy or planning, advocates and community developers created a policy vacuum that allowed investors' interests to dominate over the needs of tenants, prospective homebuyers, and local communities. By proposing and piloting four alternative methods for assessment and analysis, I show how constructing an alternative risk discourse could not only better protect residents, but also allow community developers, planners, housing policy professionals, and civil society advocates to assert a role in capital market regulation. By assessing, mitigating, and protecting against the risks posed by the financialization of housing, local, state, and federal governments can advance a vision of housing that prioritizes the needs of the people who live in housing over those who profit from it.

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Appendices:

Appendix 1: Names of Companies

Colony Starwood Home		
C A H 2014-1 BORROWER LLC	COLFIN AI & CA LLC	CSH PROPERTY ONE I LC
C A H 2014-2 BORROWER LLC	COLFIN AI & CA5 LLC	CSH PROPERTY ONE LLC
C A H 2015-1 BORROWER LLC	COLFIN AI AZ 1 LLC	CSH PROPERTYE ONE LLC
C S F R COLFIN AM INVEST LLC TR	COLFIN AI CA 1 LLC	DALLIN
C S F R COLFIN AMERICAN INVESTORS LLC TR	COLFIN AI CA 2 LLC	DALLIN INC
C S F R COLFIN AMERICAN INVESTORS T R S LLC	COLFIN AI CA 3 LLC	DALLIN LLC
C S H 2016-1 BORROWER LLC	COLFIN AI CA 4 LLC	DALLIN LLC TR
CAH & 2015 & 1 BORROWER LLC	COLFIN AI CA 5 LLC	DALLIN,LLLC
CAH & FDH TRUST	COLFIN AI CA K LLC	INVERCLYDE
CAH 201-2 BORROWER LLC	COLFIN AI CA5 LLC	INVERCLYDE LLC
CAH 2014 & 1 BORROWER LLC	COLFIN AI-AZ 1 LLC	LOUDEN
CAH 2014 & 2 BORROWER LLC	COLFIN AI-AZ 2 LLC	LOUDEN LLC
CAH 2014 1 BORROWER	COLFIN AI-AZ LLC	S F R 2012-1 U S WEST LLC
CAH 2014 1 BORROWER LLC	COLFIN AI-AZ2 LLC	S F R INVESTMENTS POOL I LLC
CAH 2014 2 BORROWER	COLFIN AI-CA 1 LLC	SFR 2012 1 U S WEST
CAH 2014 2 BORROWER LLC	COLFIN AI-CA 4 LLC	SFR 2012 1 US WEST
CAH 2014 2 BORROWER LLC & COLFIN AI CA 5 LLC	COLFIN AI-CA 5 LLC	SFR 2012 1 US WEST LLC
CAH 2014-1 BORROWER LLC	COLFIN AI-CA LLC	SFR 201201 US WEST LLC
CAH 2014-2 BORROWER LLC	COLFIN AI-CA5 LLC	SFR 2012-1 U S WEST LLC
CAH 2015 & 1 BORROWER LLC	COLFIN AI-CAE 5 LLC	SFR 2012-1 US WEST LLC
CAH 2015 1 BORROWER	COLFIN AI-NV 1 LLC	SFR 2012-11 U S WEST LLC
CAH 2015 1 BORROWER LLC	COLFIN AI-NV 2 LLC	SFR U S WEST LLC
CAH 2015-1 BORROWER LLC	COLFIN AI-NV2 LLC	SFR US WEST LLC
CAH ACQUISITION CO V LLC	COLFIN AL CA 5 LLC	SRP SUB LLC
CAH BORROWER LLC	COLFIN COBALT I-II OWNER LLC	SRP SUB LLC TR
CAH FAMILY LLC	COLFIN,AH CALIF 6	SWAY 2014 1 BORROWER LLC
CAH FAMILY TRUST	COLFIN,AI CA 1	SWAY 2014 BORROWER
CAH HOLDINGS LLC	COLFIN,AI CA 2	SWAY 2014 BORROWER LLC TR
CAH PROPERTIES LLC	COLFIN,AI CA 3	SWAY 2014-1 BORROWER
CARRBRIDGE	COLFIN,AI CA 4	SWAY 2014-1 BORROWER LLC
CARRBRIDGE LLC	COLFIN,AI CA4	SWAY 2014-1 BORROWER LLC & WHITT DONALD C
COLFIN 2016-3 INDL OWNER L	COLFIN,AICA 4	SWAY BORROWER LLC
COLFIN A H-CALIFORNIA 6 LLC	COLFIN,AI-CA 4	S-WAY LLC
COLFIN A I C A 4 LLC	COLFIN,AI-CA 5 LLLC	TO CSH PROPERTY ONE LLC
COLFIN A I C A4 LLC	COLFIN,AI-NV 2	
COLFIN A I-C A 4 LLC	COLFIN,AL CA 1	
COLFIN A I-C A4 LLC	COLFIN,AL CA 4	
COLFIN A I-CA 4 LLC	COLFIN,OLESYA N & STEVEN ALEXANDER	
COLFIN A1 & CA 5 LLC	COLFIN-AH-CALIFORNIA 6 LLC	
COLFIN A1 CA 4	CSFR COLFIN AMER INV LLC TR	
COLFIN A1 CA 5 LLC	CSFR COLFIN AMERICAN INV LLC TR	
COLFIN AH CA 7 LLC	CSFR COLFIN AMERICAN INV TR	
COLFIN AH CALIFORNIA 6	CSFR COLFIN AMERICAN INVESTORS	
COLFIN AH CALIFORNIA 7 LLC	CSFR COLFIN AMERICAN INVESTORS LLC TR	
COLFIN AH-CALIFORNIA 6 LLC	CSH 2016-1 BORROWER LLC	
COLFIN AH-CALIFORNIA 7 LLC	CSH 2016-2 BORROWER LLC	
COLFIN AH-NEVADA 3 LLC	CSH LLC	
COLFIN AI & CA 4 LLC	CSH LLC TR	
COLFIN AI & CA 5 LLC	CSH PROPERTY ONE	

INVITATION HOMES			
1H2 PROPERTY PHOENIX	2015-2 IH BORROWER	IH4 PROP WEST LIMITED PARTNERSHIP	THR CALIFORNIA ETAL
1H3 PROPERTY WEST	2015-2 IH2 BORROWER	IH4 PROPERTY BORROWER	THR CALIFORNIA LIMITED PARTNERSHIP
1H4 PROPERTY WEST	2015-2 IH-2 BORROWER	IH4 PROPERTY PHOENIX	THR CALIFORNIA LLC
2005 & 1 IH2 BORROWER	2015-3 I H 2 BORROWER	IH4 PROPERTY WASHINGTON	THR CALIFORNIA LP
2013 & 1 IH BORROWER	2015-3 I H2 BORROWER	IH4 PROPERTY WEST	THR CALIFORNIA PS
2013 1 IH BORROWER	2015-3 IH2 BORROWER	IH4 PROPERTY WEST PS	THR LLC
2013 1 IH BORROWER LIMITED PARTNERSHIP	2015-3 IH2 BORROWER LLC TR	IH5 PROP WEST	THR PHOENIX
2013-1 IH BORROWER	HI4 PROPERTY WEST	IH5 PROP WEST LIMITED PARTNERSHIP	THR PHOENIX LLC
2014 & 2 IH BORROWER	I H 2 PROPERTY NEVADA	IH5 PROPERTY BORROWER	THR PHOENIX LP
2014 & 3 IH BORROWER	I H 3 PROPERTY NEVADA	IH5 PROPERTY PHOENIX	THR PROPERTIES LLC
2014 & I III BORROWER LLC	I H 4 PROPERTY NEVADA	IH5 PROPERTY PHOENIX LP	THR PROPERTIES LLC 50%
2014 1 IH BORROWER	I H 5 PROPERTY NEVADA	IH5 PROPERTY WASHINGTON	THR PROPERTY BORROWER
2014 1 IH BORROWER A DE	I H 6 PROPERTY NEVADA	IH5 PROPERTY WEST	THR REAL ESTATE LLC
2014 2 IH BORROWER	ID6 PROPERTY WASHINGTON	IH5 PROPERTY WEST DE	THR WASHINGTON II
2014 2 IH BORROWER & THR CALIFORNIA LP	IH 4 PROPERTY WASHINGTON	IH5 PROPERTY WEST ETAL	THR,CALIF
2014 2 IH BORROWER A DE	IH 6 PROPERTY WEST LP	IH5 PROPERTY WEST LP	
2014 3 IH BORROWER	IH BORROWER PS	IH5 PROPERTY WEST PS	
2014 3 IH BORROWER DE	IH PROPERTY BORROWER	IH6 PROP WEST	
2014 3 IH BORROWER LIMITED PARTNERSHIP	IH PROPERTY WASHINGTON	IH6 PROP WEST LIMITED PARTNERSHIP	
2014-1 IH BORROWER	IH2 BORROWER 2015-1	IH6 PROPERTY BORROWER	
2014-1 IH BORROWER LP	IH2 BORROWER PS	IH6 PROPERTY NEVADA LP	
2014-2 I H BORROWER	IH2 PROP WEST	IH6 PROPERTY PHOENIX	
2014-2 IH BORROWER	IH2 PROP WEST LIMITED PARTNERSHIP	IH6 PROPERTY PHOENIX LP	
2014-2 IH BORROWER LP	IH2 PROPERTY 2 LP TR	IH6 PROPERTY WASHINGTON	
2014-3 I H EQUITY OWNER	IH2 PROPERTY 2 TR	IH6 PROPERTY WASHINGTON LP	
2014-3 IH BORROWER	IH2 PROPERTY BORROWER	IH6 PROPERTY WEST	
2015 & 1 IH2 BORROWER	IH2 PROPERTY PHOENIX	IH6 PROPERTY WEST LP	
2015 & 2 IH2 BORROWER	IH2 PROPERTY WASHINGTON	IHP PROP WEST	
2015 & 3 IH2 BORROWER	IH2 PROPERTY WEST	IHP PROPERTY WEST	
2015 1 IH2 BORROWER	IH2 PROPERTY WEST LP	IHS PROPERTY WEST	
2015 2 IH2 BORROWER	IH2 PROPERTY WEST PS	INVITATION HOMES	
2015 2 IH2 BORROWER DE	IH3 PROP WEST	PROP WEST INC	
2015 2 IH2 BORROWER LTD PTP	IH3 PROP WEST LIMITED PARTNERSHIP	PROPERTY WEST HOLDINGS LLC	
2015 3 IH2 BORROWER	IH3 PROPERTY BORROWER	PROPERTY WEST LLC	
2015 3 IH2 BORROWER DE	IH3 PROPERTY PHOENIX	PROPERTY WEST LP	
2015-1 I H 2 BORROWER	IH3 PROPERTY WASHINGTON	THR CA	
2015-1 IH BORROWER	IH3 PROPERTY WEST	THR CA LIMITED PARTNERSHIP	
2015-1 IH2 BORROWER	IH3 PROPERTY WEST A DE	THR CA LLC	
2015-2 I H 2 BORROWER	IH3 PROPERTY WEST PS	THR CALIFORNIA	
2015-2 IH BORROWER	IH4 PROP WEST	THR CALIFORNIA 1	

American Homes 4 Rent	
A H 4 R I NV LLC	AMERICAN HOMES 4 RENT PROPERTIES 9 LLC
A H 4 R PROPERTIES FIVE LLC	AMERICAN HOMES 4 RENT PROPERTIES FIVE
A H 4 R PROPERTIES LLC	AMERICAN HOMES 4 RENT PROPERTIES FIVE LEGAL DEPT
A H 4 R-NV 2 LLC	AMERICAN HOMES 4 RENT PROPERTIES FIVE LL
A H 4 R-NV 3 LLC	AMERICAN HOMES 4 RENT PROPERTIES FIVE LLC
A H 4 R-NV 4 LLC	AMERICAN HOMES 4 RENT PROPERTIES FOUR LLC
A H 4 R-NV LLC	AMERICAN HOMES 4 RENT PROPERTIES FVE LLC
A M H 2014-1 BORROWER LLC	AMERICAN HOMES 4 RENT PROPERTIES ONC LLC
A M H 2014-1 EQUITY OWNER LLC	AMERICAN HOMES 4 RENT PROPERTIES ONE LLC
A M H INVESTMENTS TRUST	AMERICAN HOMES 4 RENT PROPERTIES THREE
A M H ROMAN TWO N V LLC	AMERICAN HOMES 4 RENT PROPERTIES THREE L
A M H ROMAN TWO NV L L V	AMERICAN HOMES 4 RENT PROPERTIES THREE LLC
A M H ROMAN TWO NV L LC	AMERICAN HOMES 4 RENT PROPERTS THREE LLC
A M H ROMAN TWO NV LLC	AMERICAN HOMES 4 RENT PROPS FIVE LLC
A R P 2014-1 BORROWER LLC	AMERICAN HOMES 4 RENT PROPS LLC
AH4R 1 WA LLC	AMERICAN HOMES 4 RENT PROPS THREE LLC
AH4R AZ 11 LLC	AMERICAN HOMES 4 RENT TRUST LL
AH4R AZ 2 LLC	AMERICAN HOMES 4RENT PROPERTIES FIVE LLC
AH4R AZ 4 LLC	AMERICAN RESIDENTIAL LEASING
AH4R AZ LLC	AMERICAN RESIDENTIAL LEASING CO
AH4R AZ4 LLC	AMERICAN RESIDENTIAL LEASING CO LLC
AH4R AZ7 LLC	AMERICAN RESIDENTIAL LEASING COM
AH4R I AZ LLC	AMERICAN RESIDENTIAL LEASING COMPANY
AH4R I WA LLC	AMERICAN RESIDENTIAL LEASING COMPANY LLC
AH4R PROPERTIES LLC	AMH 2014 2 BORROWER LLC
AH4R PROPERTY LLC	AMH 2014 3 BORROWER LLC
AH4R WA LLC	AMH 2014-1 BORROWER LLC
AH4R-AZ 11 LLC	AMH 2014-2 BORROWER LLC
AH4R-AZ 2 LLC	AMH 2014-3 BORROWER LLC
AH4R-AZ 4 LLC	AMH 2015 1 BORROWER LLC
AH4R-AZ 7 LLC	AMH 2015-1 BOROWER LLC
AH4R-AZ LLC	AMH 2015-1 BORROWER LLC
AH4R-AZ11 LLC	AMH ROMAN TWO & LLC
AH4R-AZ2 LLC	AMH ROMAN TWO AZ LLC
AH4R-AZ3 LLC	AMH ROMAN TWO NV LLC
AH4R-AZ4 LLC	AMH ROMAN TWO WA
AH4R-AZ7 LLC	AMH ROMAN TWO WA LLC
AH4R-NV LLC	ARP 2014 1 BORROWER
AH4R-WA LLC	ARP 2014 1 BORROWER LLC
AMERICAN HOMES 4 RENT	ARP 2014-1 BORROWER LLC
AMERICAN HOMES 4 RENT LLC TR	ARP BORROWER II LLC
AMERICAN HOMES 4 RENT LP	ARP BORROWER LLC
AMERICAN HOMES 4 RENT NINE LLC	ARP PHOENIX FUND I
AMERICAN HOMES 4 RENT PPTY THREE	BEAZER PRE OWNED HOMES LLC AMH PORTFOLIO ONE LLC
AMERICAN HOMES 4 RENT PPTYS FIVE	BEAZER PRE OWNED RENT HOMES LLC AMH PORTF ONE LLC
AMERICAN HOMES 4 RENT PPTYS ONE	R J AMERICAN HOMES 4 RENT INVEST
AMERICAN HOMES 4 RENT PR 1 LLC TR	R J AMERICAN HOMES 4 RENT TWO
AMERICAN HOMES 4 RENT PROP	R J AMERICAN HOMES 4 RENT TWO L
AMERICAN HOMES 4 RENT PROP & FIVE LLC	RJ AMERICAN HOMES 4 RENT ONE LLC
AMERICAN HOMES 4 RENT PROP & THREE LLC	RJ AMERICAN HOMES 4 RENT TWO
AMERICAN HOMES 4 RENT PROP 5	RJ AMERICAN HOMES 4 RENT TWO LLC
AMERICAN HOMES 4 RENT PROP FIVE LLC	
AMERICAN HOMES 4 RENT PROP ONE	
AMERICAN HOMES 4 RENT PROP ONE TR	
AMERICAN HOMES 4 RENT PROP THREE LLC	
AMERICAN HOMES 4 RENT PROPERTI	

Home Partners of America
HPA BORROWER 2016 1 LLC
HPA BORROWER 2016 DE LLC
HPA BORROWER 2016 ML LLC
HPA BORROWER 2016-1 LLC
HPA BORROWER 2016-2 LLC
HPA BORROWER 2016-2 ML LLC
HPA BORROWERE 2016 ML LLC
HPA,BORROWER 2016 1
HPA,BORROWER 2016-1

Progress Residential
FREO ARIZONA LLC
FREO ARIZONAE LLC
FREO CALIFORNIA LLC
FREO NEVADA LLC
FREO WASHINGTON LLC
FREO,CALIF
PROGRESS RESIDENTIAL 2014
PROGRESS RESIDENTIAL 2014 1 BORROWER
PROGRESS RESIDENTIAL 2014-1 BORR
PROGRESS RESIDENTIAL 2014-1 BORROWER LLC
PROGRESS RESIDENTIAL 2015-1 BO
PROGRESS RESIDENTIAL 2015-1 BORR
PROGRESS RESIDENTIAL 2015-1 BORROWER LLC
PROGRESS RESIDENTIAL 2015-2 BORR
PROGRESS RESIDENTIAL 2015-2 BORROWER LLC
PROGRESS RESIDENTIAL 2015-3 BO
PROGRESS RESIDENTIAL 2015-3 BORR
PROGRESS RESIDENTIAL BORROWER
PROGRESS RESIDL 2015-1 BORROW
PROGRESS RESIDL 2015-3 BOR
PROGRESS RESIDL 2015-3 BORROW
PROGRESS RESIDL 2016-1 BORROW
PROGRESS RESIDL 2016-2 BORROW
PROGRESS-RESIDENTIAL 2016-1 BO

Tricon American Homes
TAH 2015 & 1 BORROWER LLC
TAH 2015 1 BORROWER
TAH 2015 1 BORROWER LLC
TAH 2015-1 BORROWER LLC
TAH 2015-1 EQUITY OWNER LLC
TAH 2016-1 BORROWER LLC
TAH 2016-1 EQUITY OWNER LLC
TAH ASSET MANAGEMENT LLC
TAH BORROWER LLC

Silver Bay
2012 B PROP HOLDINGS
2012 B PROPERTY HOLDINGS LLC
2012 C PROPERTY HOLDINGS LLC
2012 PROP HOLDING
2012-B PROPERTY HOLDING LLC
2012-B PROPERTY HOLDINGS LLC
2012-C PROPERTY HOLDING LLC
2012-C PROPERTY HOLDINGS LLC
2013-A PROPERTY HOLDINGS
2013-A PROPERTY HOLDINGS LLC
ARLP REO 400 LLC
ARLP REO II LLC
ARLP REO II LLC FREDERIKSTED
ARLP REO III LLC
ARLP REO IV LLC
ARLP REO IV LLC VI
ARLP REO V LLC
ARLP REO VI LLC
ARLP REO VII LLC
ARLP TRUST 3
ARLP,REO I
ARLP,REO II
ARLP,REO VI
ARNS INC
CHRISTIANA TRUST
LONG BEACH CITY S B Y S
POLAR CACTUS II LLC
POLAR CACTUS III LLC
POLAR CACTUS LLC
PROVIDENT RESIDENTIAL REAL ESTATE FUND LLC
R E S I S F R SUB LLC
RESI II LLC
RESI REO SUB LLC
RESI S F R SUB LLC
RESI SFR SUB LLC
RESI SFR SUB LLC VI
RESI,SFR SUB
S B Y 2014-1 BORROWER LLC
SBY 2014 1 BORROWER LLC
SBY 2014-1 BORROWER LLC
SBY FINANCE TRUST LLC
THPI ACQUISITION HOLDING LLC
THPI ACQUISITION HOLDINGS
THPI ACQUISITION HOLDINGS LLC
THPI ACQUISITIONS HOLDINGS LLC
THPI ACQUISTION HOLDING LLC
THPI ACQUISTION HOLDINGS LLC
THPI ACQUSITION HOLDINGS LLC
THPI ACUISITION HOLDINGS LLC
THPI AQUISITION HOLDINGS LLC
THPI QCQUISITION HOLDINGS LLC

APPENDIX 2: RESULTS OF REGRESSION ANALYSIS

Los Angeles County Block Groups
Number of Properties Owned by Largest Companies

```
Coefficients:
                             Estimate Std. Error t value Pr(>|t|)
(Intercept)                 2.378e-01  1.068e-01   2.227 0.026002 *
FinalBlocksLAEd$PercBlack   1.595e-02  1.293e-03  12.331  < 2e-16 ***
FinalBlocksLAEd$PercLatino  2.014e-04  7.937e-04   0.254 0.799661
FinalBlocksLAEd$PercAsian  -8.539e-03  1.208e-03  -7.066 1.76e-12 ***
FinalBlocksLAEd$perCom60to  1.057e-02  2.721e-03   3.885 0.000103 ***
FinalBlocksLAEd$PerCom90mo  3.457e-02  4.575e-03   7.557 4.69e-14 ***
FinalBlocksLAEd$jobs_idx   -2.831e-03  6.429e-04  -4.403 1.09e-05 ***
FinalBlocksLAEd$MedHHInc    2.960e-06  6.838e-07   4.328 1.53e-05 ***
FinalBlocksLAEd$MedVal     -7.152e-07  7.500e-08  -9.535  < 2e-16 ***
FinalBlocksLAEd$PopDen     -2.663e-05  1.713e-06 -15.544  < 2e-16 ***
FinalBlocksLAEd$TotPop      4.745e-04  2.309e-05  20.549  < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

Los Angeles County Block Groups: Percent of Single-Family Rental Units Owned by Largest Companies

```
Coefficients:
                             Estimate Std. Error t value Pr(>|t|)
(Intercept)                 9.873e-01  2.641e-01   3.738 0.000187 ***
FinalBlocksLAEd$PercBlack   3.730e-02  3.215e-03  11.603  < 2e-16 ***
FinalBlocksLAEd$PercLatino  4.159e-03  1.970e-03   2.111 0.034844 *
FinalBlocksLAEd$PercAsian  -7.284e-03  3.005e-03  -2.424 0.015360 *
FinalBlocksLAEd$perCom60to  6.899e-03  6.770e-03   1.019 0.308169
FinalBlocksLAEd$PerCom90mo  2.102e-02  1.138e-02   1.847 0.064859 .
FinalBlocksLAEd$jobs_idx   -4.560e-03  1.597e-03  -2.855 0.004323 **
FinalBlocksLAEd$MedHHInc    8.790e-06  1.700e-06   5.171 2.40e-07 ***
FinalBlocksLAEd$MedVal     -1.338e-06  1.865e-07  -7.175 8.04e-13 ***
FinalBlocksLAEd$PopDen     -3.591e-05  4.257e-06  -8.434  < 2e-16 ***
FinalBlocksLAEd$TotPop      2.058e-04  5.693e-05   3.615 0.000303 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

California Block Groups
Number of Properties Owned by Largest Companies

```
Coefficients:
                           Estimate Std. Error t value Pr(>|t|)
(Intercept)              -1.032e-01  5.395e-02  -1.912  0.05583 .
FinalBlocks$PercBlack     3.063e-02  1.211e-03  25.293  < 2e-16 ***
FinalBlocks$PercLatino    1.588e-03  5.385e-04   2.949  0.00319 **
FinalBlocks$PercAsian    -3.792e-03  8.372e-04  -4.529 5.96e-06 ***
FinalBlocks$perCom60to    2.436e-02  1.911e-03  12.744  < 2e-16 ***
FinalBlocks$PerCom90mo    5.086e-02  3.011e-03  16.889  < 2e-16 ***
FinalBlocks$jobs_idx     -3.814e-03  4.316e-04  -8.838  < 2e-16 ***
FinalBlocks$MedHHInc      3.982e-06  4.694e-07   8.483  < 2e-16 ***
FinalBlocks$MedVal       -8.284e-07  5.255e-08 -15.763  < 2e-16 ***
FinalBlocks$PopDen       -1.879e-05  1.331e-06 -14.118  < 2e-16 ***
FinalBlocks$TotPop        3.990e-04  1.224e-05  32.603  < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

California Block Groups: Percent of Single-Family Rental Units Owned by Largest Companies

```
Coefficients:
                           Estimate Std. Error t value Pr(>|t|)
(Intercept)              -1.032e-01  5.395e-02  -1.912  0.05583 .
FinalBlocks$PercBlack     3.063e-02  1.211e-03  25.293  < 2e-16 ***
FinalBlocks$PercLatino    1.588e-03  5.385e-04   2.949  0.00319 **
FinalBlocks$PercAsian    -3.792e-03  8.372e-04  -4.529 5.96e-06 ***
FinalBlocks$perCom60to    2.436e-02  1.911e-03  12.744  < 2e-16 ***
FinalBlocks$PerCom90mo    5.086e-02  3.011e-03  16.889  < 2e-16 ***
FinalBlocks$jobs_idx     -3.814e-03  4.316e-04  -8.838  < 2e-16 ***
FinalBlocks$MedHHInc      3.982e-06  4.694e-07   8.483  < 2e-16 ***
FinalBlocks$MedVal       -8.284e-07  5.255e-08 -15.763  < 2e-16 ***
FinalBlocks$PopDen       -1.879e-05  1.331e-06 -14.118  < 2e-16 ***
FinalBlocks$TotPop        3.990e-04  1.224e-05  32.603  < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

Los Angeles County Census Tracts
Number of Properties Owned by Largest Companies

```
Coefficients:
                              Estimate Std. Error t value Pr(>|t|)
(Intercept)                 -2.150e-01  4.371e-01  -0.492  0.62294
FinalTractsLA$PercBlack      6.011e-02  5.681e-03  10.582  < 2e-16 ***
FinalTractsLA$PercLatino    -1.440e-03  3.221e-03  -0.447  0.65498
FinalTractsLA$PerAsian      -2.231e-02  4.755e-03  -4.691 2.88e-06 ***
FinalTractsLA$perCom60to     3.427e-02  1.482e-02   2.312  0.02087 *
FinalTractsLA$PerCom90mo     1.759e-01  2.482e-02   7.088 1.80e-12 ***
FinalTractsLA$trans_idx     -1.389e-02  5.224e-03  -2.659  0.00789 **
FinalTractsLA$MedHHInc       1.516e-05  3.439e-06   4.408 1.09e-05 ***
FinalTractsLA$MedVal        -2.734e-06  3.508e-07  -7.794 9.71e-15 ***
FinalTractsLA$VacRate       -1.193e-01  1.256e+00  -0.095  0.92433
FinalTractsLA$TotPop         6.262e-04  4.361e-05  14.359  < 2e-16 ***
FinalTractsLA$PopDen        -3.392e-05  7.574e-06  -4.478 7.90e-06 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

Los Angeles County Block Groups
Percent of Single-Family Rental Units Owned by Largest Companies

```
Coefficients:
                              Estimate Std. Error t value Pr(>|t|)
(Intercept)                 -5.042e-03  2.999e-01  -0.017 0.986589
FinalTractsLA$PercBlack      3.808e-02  3.898e-03   9.770  < 2e-16 ***
FinalTractsLA$PercLatino    -4.693e-04  2.210e-03  -0.212 0.831853
FinalTractsLA$PerAsian      -1.104e-02  3.263e-03  -3.384 0.000726 ***
FinalTractsLA$perCom60to     2.735e-02  1.017e-02   2.689 0.007208 **
FinalTractsLA$PerCom90mo     9.647e-02  1.703e-02   5.664 1.66e-08 ***
FinalTractsLA$trans_idx      3.925e-03  3.584e-03   1.095 0.273619
FinalTractsLA$MedHHInc       1.579e-05  2.360e-06   6.692 2.74e-11 ***
FinalTractsLA$MedVal        -1.947e-06  2.407e-07  -8.091 9.40e-16 ***
FinalTractsLA$VacRate       -7.300e-01  8.616e-01  -0.847 0.396943
FinalTractsLA$TotPop         5.712e-05  2.993e-05   1.909 0.056420 .
FinalTractsLA$PopDen        -1.881e-05  5.197e-06  -3.619 0.000302 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

California Census Tracts
Number of Properties Owned by Largest Companies

```
Coefficients:
                           Estimate Std. Error t value Pr(>|t|)
(Intercept)              -2.108e+00  2.392e-01  -8.813  < 2e-16 ***
FinalTracts$PercBlack     1.086e-01  5.732e-03  18.950  < 2e-16 ***
FinalTracts$PercLatino    1.097e-03  2.386e-03   0.460  0.64579
FinalTracts$PercAsian    -1.460e-02  3.682e-03  -3.965 7.40e-05 ***
FinalTracts$perCom60to    8.123e-02  1.046e-02   7.768 8.93e-15 ***
FinalTracts$PerCom90mo    2.665e-01  1.852e-02  14.390  < 2e-16 ***
FinalTracts$trans_idx     4.700e-03  2.597e-03   1.810  0.07035 .
FinalTracts$MedHHInc      2.323e-05  2.477e-06   9.378  < 2e-16 ***
FinalTracts$MedVal       -3.730e-06  2.620e-07 -14.236  < 2e-16 ***
FinalTracts$VacRate       1.927e+00  6.977e-01   2.762  0.00576 **
FinalTracts$TotPop        4.015e-04  2.356e-05  17.043  < 2e-16 ***
FinalTracts$PopDen       -3.004e-05  6.381e-06  -4.709 2.54e-06 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

California Census Tract: Percent of Single-Family Rental Units Owned by Largest Companies

```
Coefficients:
                           Estimate Std. Error t value Pr(>|t|)
(Intercept)              -5.592e-01  1.098e-01  -5.094 3.59e-07 ***
FinalTracts$PercBlack     4.717e-02  2.630e-03  17.932  < 2e-16 ***
FinalTracts$PercLatino    2.710e-03  1.095e-03   2.475   0.0134 *
FinalTracts$PercAsian    -7.451e-03  1.690e-03  -4.410 1.05e-05 ***
FinalTracts$perCom60to    3.201e-02  4.798e-03   6.671 2.70e-11 ***
FinalTracts$PerCom90mo    1.079e-01  8.500e-03  12.689  < 2e-16 ***
FinalTracts$trans_idx     6.355e-03  1.192e-03   5.333 9.91e-08 ***
FinalTracts$MedHHInc      1.281e-05  1.137e-06  11.273  < 2e-16 ***
FinalTracts$MedVal       -1.756e-06  1.202e-07 -14.605  < 2e-16 ***
FinalTracts$VacRate       1.564e+00  3.202e-01   4.885 1.06e-06 ***
FinalTracts$TotPop        1.659e-05  1.081e-05   1.535   0.1249
FinalTracts$PopDen       -1.310e-05  2.928e-06  -4.475 7.73e-06 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

APPENDIX 3: DEMOGRAPHICS AND NEIGHBORHOOD ANALYSIS

		Latino	White	Black	Asian	60-90 min commute	90+ min commute	More than 60 min Commute	Median Home Value	Median HH income
Los Angeles Block Groups										
4701	No Homes	43	32	7	15	8	3	11	$499,038	$65,497
1721	More than 1	56	20	13	9	9	4	13	$349,225	$57,898
83	Greater than 5	42	28	18	8	13	6	19	$281,193	$66,137
20	Greater than 10	37	36	16	7	15	9	24	$243,095	$72,833
8	Greater than 15	34	42	12	8	15	11	26	$242,838	$80,903
4	Greater than 20	28	44	14	9	13	8	21	$246,575	$86,301
368	More than 5%	45	25	19	9	10	4	13	$357,627	$66,486
149	More than 10%	43	27	17	10	10	4	13	$360,169	$67,769
89	More than 15%	42	23	21	10	10	4	14	$367,223	$66,913
38	More than 20%	40	27	19	10	9	4	13	$377,597	$70,403
15	More than 30%	43	14	31	8	7	3	10	$394,086	$66,652
Los Angeles Census Tracts										
1307	None	40	33	6	17	8	3	11	$531,828	$62,933
101	More than 5%	41	26	20	9	10	5	15	$355,321	$65,410
31	More than 10%	40	27	22	7	12	5	17	$350,871	$65,243
11	More than 15%	36	24	29	7	12	5	17	$341,609	$55,171
4	More than 20%	43	22	26	6	12	6	19	$273,650	$45,516
163	More than 5	49	21	20	7	11	5	16	$307,660	$59,058
60	More than 10	39	25	25	7	12	6	17	$295,833	$62,575
10	More than 20	33	26	30	7	13	7	20	$273,210	$66,613
3	More than 30	26	47	17	6	12	8	20	$253,767	$81,371
California Block Groups										
	No Homes	34	44	5	13	6	3		$456,050	$69,639
1209	More than 5%	41	34	12	9	9	5	19	$274,975	$64,608
449	More than 10%	40	35	12	9	9	5	14	$278,098	$64,377
117	More than 20%	38	35	13	10	9	5	9	$291,211	$67,319
51	More than 30%	43	29	17	7	9	4	10	$272,900	$60,163
681	More than 5	40	32	12	10	10	6	16	$222,995	$62,526
187	More than 10	39	30	14	11	11	7	18	$215,561	$65,514
63	More than 15	31	14	14	11	12	7	19	$219,446	$69,766
18	More than 20	37	30	14	13	12	6	18	$212,444	$73,690
California Census Tracts										
5,628	No Homes	32	44	4	15	6	3	9	$487681	$69,825
183	More than 5%	39	32	14	10	10	6	15	$256492	$62,436
17	More than 10%	32	29	18	17	11	6	17	$272853	$68,038
5	More than 15%	42	23	11	18	9	7	16	$291880	$47,785
742	More than 5	42	33	12	9	9	5	15	$242,767	$60,703
381	More than 10	39	33	13	10	10	6	16	$232,044	$62,454
120	More than 20	39	29	15	11	10	6	16	$224,145	$64,505
37	More than 30	39	26	16	13	12	6	18	$222,965	$66,178

APPENDIX 4: RENTAL INCREASES RECEIVED BY TENANTS

Waypoint Homes

February 24th, 2017

Thank you for being a part of the Waypoint family!

We invite you to continue your stay with us. As you know, your lease will expire on **5/15/2017** and your current rent is **$1756.** For your convenience, your renewal rates and term options are listed below. These are available as long as your new signed lease is completed prior to **5/1/2017**.

Renewal Expiration and Monthly Rent Options:

- ☐ May 2018: $ 2100
- ☐ Month to Month: $ 2520

☐ Sep 2017: $ 2241	☐ Feb 2018: $ 2153	☐ Aug 2018: $ 2142
☐ Oct 2017: $ 2237	☐ Mar 2018: $ 2138	☐ Sep 2018: $ 2147
☐ Nov 2017: $ 2226	☐ Apr 2018: $ 2121	☐ Oct 2018: $ 2145
☐ Dec 2017: $ 2195	☐ Jun 2018: $ 2111	☐ Nov 2018: $ 2163
☐ Jan 2018: $ 2170	☐ Jul 2018: $ 2138	

The above options do not include additional lease charges such as tax, pool and/or landscaping service, utilities, or pet rent. *We require all residents to provide proof of Personal Liability Insurance with $100,000 liability coverage and Waypoint Homes listed as additional insured.*

Should you **not** sign a new lease by **5/16/2017** your lease will *automatically* convert to a month-to-month lease with a rate of $2520; all other terms and conditions will remain unchanged.

We hope that you choose to stay with us! However, if you decide otherwise, please remember that in accordance with your lease contract, *you are required to provide a 60-day written notice of your intent to mov out inclusive of your forwarding address.*

Please contact us at **(747) 900-2612** or Pamela.Kates@waypointhomes.com at your earliest convenience so we may prepare your new lease. We look forward to hearing from you!

Sincerely,

Pamela Kates; *Renewal Coordinator*
CC: Resident File t0004485

We invite you to continue your stay with us. As you know, your lease will expire on **9/5/2016** and your current rent is **$1950**. For your convenience, your renewal rates and term options are listed below. These are available as long as your new signed lease is completed prior to **8/22/2016**.

Renewal Expiration and Monthly Rent Options:

- ☐ September 2017: $ 2125
- ☐ Month to Month: $ 2550

☐ Jan 2017: $ 2268	☐ Jun 2017: $ 2179	☐ Dec 2017: $ 2168
☐ Feb 2017: $ 2264	☐ Jul 2017: $ 2164	☐ Jan 2018: $ 2172
☐ Mar 2017: $ 2253	☐ Aug 2017: $ 2147	☐ Feb 2018: $ 2170
☐ Apr 2017: $ 2221	☐ Oct 2017: $ 2136	☐ Mar 2018: $ 2189
☐ May 2017: $ 2196	☐ Nov 2017: $ 2164	

The above options do not include additional lease charges such as tax, pool and/or landscaping service, utilities, or pet rent. *We require all residents to provide proof of Personal Liability Insurance with $100,000 liability coverage and Waypoint Homes listed as additional insured.*

Should you **not** sign a new lease by **9/6/2016** your lease will *automatically* convert to a month-to-month lease with a rate of $2550; all other terms and conditions will remain unchanged.

We hope that you choose to stay with us! However, if you decide otherwise, please remember that in accordance with your lease contract, *you are required to provide a* ***60-day written notice of your intent to move out inclusive of your forwarding address.***

Please contact us at **(747) 900-2612** or Pamela.Kates@waypointhomes.com at your earliest convenien we may prepare your new lease. We look forward to hearing from you!

Sincerely,

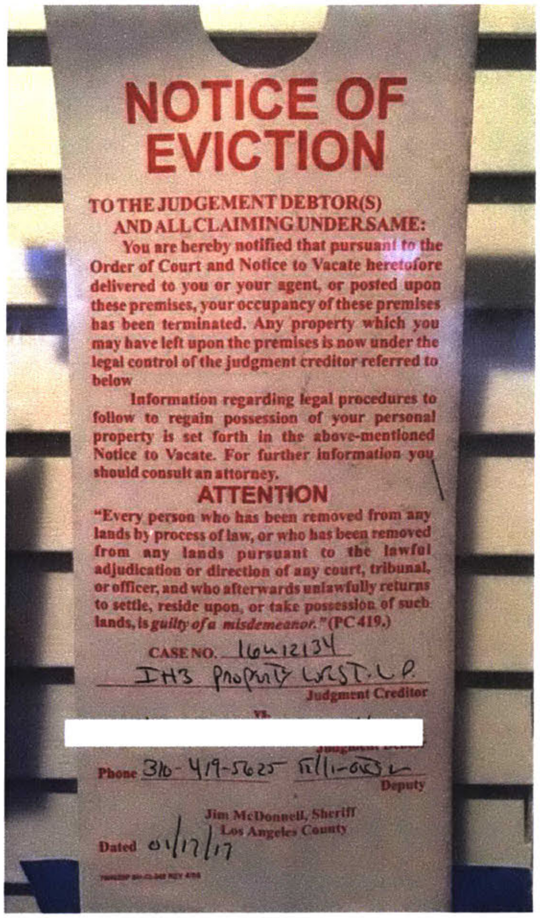
Pamela Kates; *Renewal Coordinator*
CC: Resident File t0034107

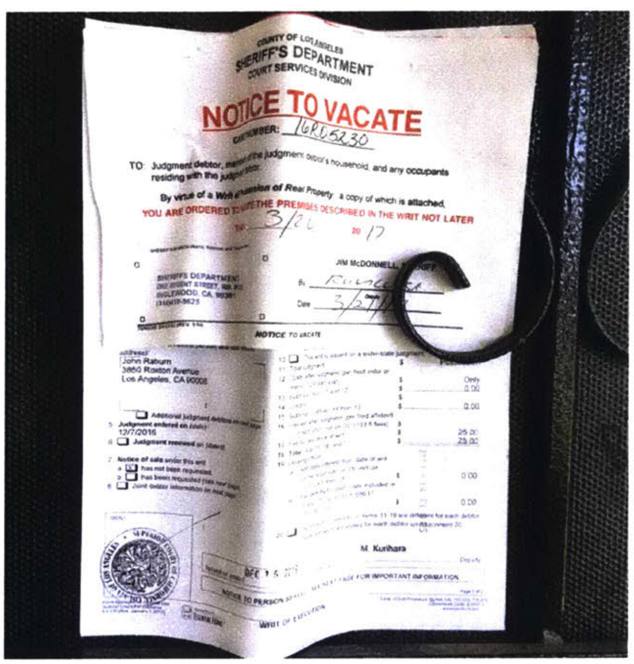
Appendix 5: Homes Sold by American Homes 4 Rent to Invitation Homes in LA County

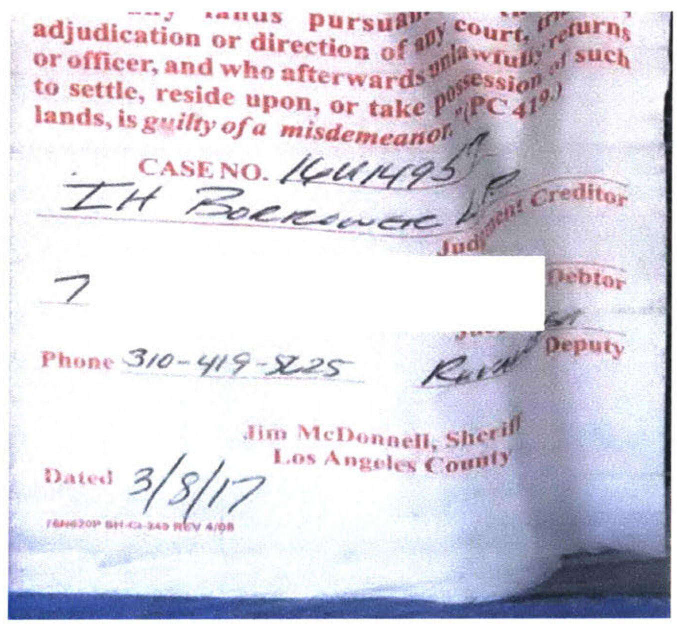
LocalRollA2015.1st Owner Assee Name	American2014.1st Owner Assee Name	AIN	SA Street Name	SA City and State
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3001032061	COCINA LN	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3001034011	NIDO CT	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3001069028	VITRINA LN	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R I CA LLC	3001083051	ASTER PL	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3001103050	COBBLE CT	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3001113013	PARKRIDGE LN	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3001120010	SUNGATE DR	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R I CA LLC	3001120031	COSTA CT	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3003048004	SANDSTONE CT	PALMDALE CA
RJ AMERICAN HOMES 4 RENT TWO LLC	RJ AMERICAN HOMES 4 RENT TWO LLC	3003057066	REGENCY WAY	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3003060017	BERKSHIRE DR	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3003070012	GEMSTONE AVE	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3003086042	BOUQUET LN	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3003086058	ROUX LN	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3003088031	JACOB DR	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3003088033	JACOB DR	PALMDALE CA
IH2 PROPERTY WEST LP	AH4LR CA LLC	3003090002	ANDREA DR	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3003093024	VICTORIA ST	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3004030033	DATE PALM DR	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3004032075	MORNINGSIDE TER	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3004042033	AUTUMNMIST DR	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3004043018	VANDAL WY	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3024037023	WHITNEY WAY	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA 3 LLC	3102028019	TEMPO DR	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 3 LLC	3103016049	BLOSSOM DR	QUARTZ HILL CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3110041022	BRENTWOOD CT	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3114020017	ASTOR CT	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R I CA LLC	3124018050	CHAPLIN DR	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3153016058	LINGARD ST	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA3 LLC	3153056037	NORBERRY ST	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 3 LLC	3153060115	SPRING ST	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3153070069	AMETHYST ST	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3153077043	RAVEN LN	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3153079003	AVENUE J4	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3153081058	VAHAN CT	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3153083010	MARIPOSA DR	LANCASTER CA
RJ AMERICAN HOMES 4 RENT TWO LLC	RJ AMERICAN HOMES 4 RENT TWO LLC	3153083020	MARIPOSA DR	LANCASTER CA
IH2 PROPERTY WEST LP	RJ AMERICAN HOMES 4 RENT ONE LLC	3153083032	LOTUS LN	LANCASTER CA
RJ AMERICAN HOMES 4 RENT TWO LLC	RJ AMERICAN HOMES 4 RENT TWO LLC	3153084019	NEOLA WAY	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3153086036	NORMANDY LN	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3153092008	TROUSDALE DR	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3153092021	KILDARE ST	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3153092023	LEGACY LN	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3203044032	FREER WAY	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3203045023	AVENUE J5	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3203046027	FREER WAY	LANCASTER CA
RJ AMERICAN HOMES 4 RENT TWO LLC	RJ AMERICAN HOMES 4 RENT TWO LLC	3203046042	ENCANTO WAY	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 REST LLC	3203047021	AVENUE J12	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R I CA LLC	3203048040	58TH ST W	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3203049069	57TH ST W	LANCASTER CA

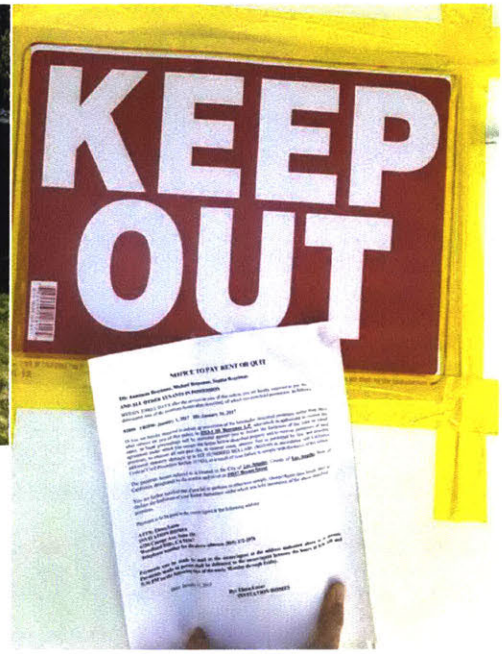
IH2 PROPERTY WEST LP	AH4R CA LLC	3203050025	59TH ST W	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3203050040	ELENA CT	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3203051042	AVENUE J12	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA 11 LLC	3203053012	AVENUE J13	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R I CA LLC	3203054056	GRANDPARK AVE	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3203054072	TAHOE WY	LANCASTER CA
IH2 PROPERTY WEST LP	RJ AMERICAN HOMES 4 RENT ONE LLC	3203059058	VAHAN CT	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3204058021	ANDOVER AVE	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA II LLC	3204059036	SUNSET CANYON CT	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R I CA LLC	3204064089	AVENUE K1	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3204065001	TEASDALE ST	LANCASTER CA
RJ AMERICAN HOMES 4 RENT TWO LLC	RJ AMERICAN HOMES 4 RENT TWO LLC	3204074076	BRANDON THOMAS WAY	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3204075029	HAMPTON ST	LANCASTER CA
IH2 PROPERTY WEST LP	AH4R CA11 LLC	3204075033	HAMPTON ST	LANCASTER CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3206028016	ANNETTE AVE	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3206028020	ANNETTE AVE	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3206028025	ANNETTE AVE	PALMDALE CA
RJ AMERICAN HOMES 4 RENT TWO LLC	RJ AMERICAN HOMES 4 RENT TWO LLC	3206028080	LOUISE LN	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3206048064	BOSC LN	PALMDALE CA
IH2 PROPERTY WEST LP	AMERICAN HOMES 4 RENT LLC	3206048072	BOSC LN	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3206056011	MANGROVE DR	PALMDALE CA
IH2 PROPERTY WEST LP	AH4R CA LLC	3206060023	SATINWOOD LN	PALMDALE CA

APPENDIX 6: PHOTOS OF EVICTION NOTICES









NOTICE TO PAY RENT OR QUIT

TO [redacted]

AND ALL OTHER TENANTS IN POSSESSION

WITHIN THREE DAYS after the service on you of this notice, you are hereby required to pay the delinquent rent of the premises herein after described, of which you now hold possession, as follows:

$2888 FROM: January 1, 2017 TO: January 31, 2017

Or you are hereby required to deliver up possession of the hereinafter described premises, within three days after service on you of this notice, to **2013-1 IH Borrower L.P.** who/which is authorized to receive the same, or legal proceedings will be instituted against you to declare the forfeiture of the lease or rental agreement under which you occupy the herein below described property and to recover possession of said premises, to recover all rent past due, to recover costs, attorney fees as permitted by law, and possible additional statutory damages up to SIX HUNDRED DOLLARS ($600.00) in accordance with California Code of Civil Procedure Section 1174(b), as a result of your failure to comply with the terms of this notice.

The premises herein referred to is situated in the City of **Los Angeles**, County of **Los Angeles**, State of California, designated by the number and street as **19817 Bryant Street**.

You are further notified that if you fail to perform or otherwise comply, Owner/Agent does hereby elect to declare the forfeiture of your Rental Agreement under which you hold possession of the above-described premises.

Payment is to be paid to the owner/agent at the following address:

ATTN: Elena.Lazar
INVITATION HOMES
6320 Canoga Ave. Suite 150
Woodland Hills, CA 91367
Telephone number for the above-address: (805) 372-2976

Payments can be made by mail to the owner/agent at the address indicated above or in person. Payments made in person shall be delivered to the owner/agent between the hours of 8:30 AM and 5:30 PM on the following days of the week: Monday through Friday.

Date: January 11, 2017

By: Elena.Lazar
INVITATION HOMES

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number and address):
Chris Evans, SBN 202135
Kimball, Tirey & St. John LLP
555 South Flower Street, Suite 3400
Los Angeles, CA 90071
TELEPHONE NO. (213) 337-0050 FAX NO. (213) 337-0080
E-MAIL ADDRESS:
ATTORNEY FOR (Name): Plaintiff
☒ ATTORNEY FOR ☒ JUDGMENT CREDITOR ☐ ASSIGNEE OF RECORD

FILE COPY

CASE: 16R05230
LEA/DEF#:
RECEIPT #: SM441803036
DATE PAID: 12/15/16 03:31 PM
PAYMENT: $25.00 310
RECEIVED:
CHECK: $25.00
CASH: $0.00
CHANGE: $0.00
CARD: $0.00

SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES
STREET ADDRESS: 1725 MAIN STREET, RM102
MAILING ADDRESS:
CITY AND ZIP CODE: SANTA MONICA, CA 90401
BRANCH NAME: LOS ANGELES SUPERIOR COURT SANTA MONICA / WEST DISTRICT
PLAINTIFF: CAH 2014-1 Borrower LLC

DEFENDANT: John Raburn [redacted]

NO LOCKOUT PRIOR TO 2-8-17

ENTERED INTO CIVAS

CASE NUMBER: 16R05230

WRIT OF ☐ EXECUTION (Money Judgment) ☒ POSSESSION OF ☐ Personal Property ☒ Real Property ☐ SALE

☒ Limited Civil Case ☐ Small Claims Case ☐ Unlimited Civil Case ☐ Other

1. To the Sheriff or Marshal of the County of: LOS ANGELES
You are directed to enforce the judgment described below with daily interest and your costs as provided by law.
2. To any registered process server: You are authorized to serve this writ only in accord with CCP 699.080 or CCP 715.040.
3. (Name): CAH 2014-1 Borrower LLC
is the ☒ judgment creditor ☐ assignee of record whose address is shown on this form above the court's name.
4. Judgment debtor (name, type of legal entity stated in judgment if not a natural person, and last known address):
John Raburn
3850 Roxton Avenue
Los Angeles, CA 90008
☐ Additional judgment debtors on next page
5. Judgment entered on (date): 12/7/2016
6. ☐ Judgment renewed on (dates):
7. Notice of sale under this writ
a. ☒ has not been requested.
b. ☐ has been requested (see next page).
8. ☐ Joint debtor information on next page.
9. ☒ See next page for information on real or personal property to be delivered under a writ of possession or sold under a writ of sale.
10. ☐ This writ is issued on a sister-state judgment.

11. Total judgment	$	Possession
12. Costs after judgment (per filed order or memo CCP 685.090)	$	Only
13. Subtotal (add 11 and 12)	$	0.00
14. Credits	$	
15. Subtotal (subtract 14 from 13)	$	0.00
16. Interest after judgment (per filed affidavit CCP 685.050) (not on GC 6103.5 fees)	$	
17. Fee for issuance of writ	$	25.00
18. Total (add 15, 16, and 17)	$	25.00
19. Levying officer: (a) Add daily interest from date of writ (at the legal rate on 15) (not on GC 6103.5 fees) of	$	0.00
(b) Pay directly to court costs included in 11 and 17 (GC 6103.5, 68637; CCP 699.520(i))	$	0.00

20. ☐ The amounts called for in items 11-19 are different for each debtor. These amounts are stated for each debtor on Attachment 20.

(SEAL)

Issued on (date): DEC 15 2016 Clerk, by M. Kurihara, Deputy

NOTICE TO PERSON SERVED: SEE NEXT PAGE FOR IMPORTANT INFORMATION

WRIT OF EXECUTION

The amount of $1,756.00 per month for Base Rent
The amount of $20.00 per month for Pet Rent

Rent for any partial calendar months included in the Lease Term shall be prorated on a daily basis.

4.3. INITIAL PAYMENT. Upon Landlord's acceptance of this Lease, Resident shall pay as follows: (i) one (1) cashier's check or money order in the amount of the prorated Rent through the first day of the first calendar month after the commencement date, based on the amount designated as "TOTAL MONTHLY RENT" on Page 1 of this Lease (the "**Initial Payment**"), and (ii) one (1) separate cashier's check or money order in the amount of the Security Deposit. In the event that Resident's payment for the Initial Payment or Security Deposit is dishonored for any reason, at Landlord's option, Landlord shall be immediately released from all obligations under this Lease and shall have the immediate right to terminate this Lease, upon notice to Resident of such termination.

4.4. METHOD OF PAYMENTS. The Security Deposit and all Rent shall be paid to Landlord or such other agent of Landlord as Landlord may designate by written notice to Resident. Resident shall pay Rent in advance on the 1st day of each month without demand or offset and with no grace period. To the extent allowed by Local Laws, monthly installments of Rent must be paid in U.S. Currency by one of the various electronic payment methods provided below.

Electronic Payment On Landlord's Website: Subject to Local Laws, Rent may be paid directly on Landlord's website. To pay Rent on Landlord's website, log on to www.waypointhomes.com and follow the instructions for paying the Rent.

Moneygram®: Subject to Local Laws, Rent may be paid directly through Moneygram®. To pay Rent through Moneygram®, please log into the Resident Portal for further instructions.

4.5. LATE CHARGES AND OTHER COSTS OF LATE PAYMENT. If the total Rent is not received by the 5th day of the month, Resident agrees to pay a late charge of $95.00 (the "**Late Charge**") . Resident acknowledges that late payment of Rent may cause Landlord to incur costs and expenses, including processing, enforcement and accounting expenses, and charges imposed on Landlord, the exact amounts of which are extremely difficult and impractical to determine. Resident agrees that the Late Charge represents a fair and reasonable estimate of the costs Landlord may incur by reason of late payment. The Late Charge, which shall be considered to be additional rent, does not establish a grace period; Landlord may serve a 3-Day notice to pay or quit if rent is not paid on its due date. If Landlord serves a written notice of non-payment of rent, Landlord may require that the payment called for by the notice be by Moneygram®, Money Order or certified cashier's check, in person, at the office location designated by Landlord.

4.6. RETURN OF PAYMENT FOR NON-SUFFICIENT FUNDS. If Resident's payment is rejected for non-sufficient funds, Resident understands and agrees that, in addition to the full Rent and Late Charges due, there will be an additional charge in the amount of $25.00 for the first payment made on insufficient funds, and $35.00 for each subsequent payment made on insufficient funds ("**NSF Charge**") . In the event that any payment of Rent during the Lease Term are returned due to non-sufficient funds, Resident may be "locked out" of the online payment system and prohibited from making payment by personal check, and shall be required to make such payments, together with any and all of Resident's outstanding balance, Late Charge, and any other amounts due to Landlord hereunder, by Moneygram®, Money Order or certified cashier's check, in person, at the office of the property manager or other Landlord representative, as designated by Landlord in connection with this Lease. Only upon personal receipt by the property manager or other Landlord representative of such payment by Moneygram®, Money Order or certified cashier's check shall Resident be able to make subsequent payments online or by personal check, as applicable.

11. COMPLIANCE WITH RULES AND REGULATIONS. Landlord will have the right to establish and, from time to time, change, alter and amend, and to enforce against Resident reasonable rules and regulations as may be deemed necessary or advisable for the proper and efficient operation, maintenance and repair of the Premises. Resident will observe and comply with all reasonable and nondiscriminatory rules and regulations governing the Premises that are posted on the Premises, attached hereto and incorporated herein by this reference, or as may from time to time be delivered to Resident (the "**Rules and Regulations**"). Resident and Resident's family, and all guests (including employees, agents and contractors) will observe and comply with the Rules and Regulations and with such amendments and additional Rules and Regulations as Landlord may adopt, effective ten (10) days after Landlord gives Resident written notice thereof, or as may be required by Local Laws. A violation of the Rules and Regulations after such notice shall be an Event of Default.

12. PROHIBITED ACTIVITY. Resident, any member(s) of Resident's household, a guest or any other person affiliated with Resident, at or near the Premises shall not (a) engage in criminal activity on or near the Premises, including drug-related criminal activity (which means the illegal manufacture, cultivation, sale, distribution, use or possession with intent to manufacture, sell, distribute, or use a controlled substance); (b) engage in any act intended to facilitate criminal activity, including drug-related criminal activity, on or near the Premises; (c) permit the Premises to be used for or to facilitate criminal activity, including drug-related criminal activity, regardless of whether the individual engaging in such activity is a member of the household or a guest; (d) engage in growing, producing, manufacturing, selling, using, storing, keeping, distributing or giving marijuana or any controlled substance (legal or illegal) at or from the Premises or otherwise; or (e) engage in any illegal activity, including prostitution, criminal street gang activity, threatening or intimidating assault, including the unlawful discharge of firearms, on or near the Premises, or the health, safety and/or welfare of Landlord, its agents, other Residents, neighbors or imminent serious damage to the property of any of them.

VIOLATION OF ANY OF THE PROVISIONS OF THIS SECTION, OR OF ANY FEDERAL OR LOCAL LAWS, SHALL BE A SERIOUS, MATERIAL AND IRREPARABLE VIOLATION OF THIS LEASE AND GOOD CAUSE FOR IMMEDIATE TERMINATION OF THE TENANCY.

Unless otherwise prohibited by law, proof of violation shall not require criminal conviction.

13. MAINTENANCE.

13.1. MAJOR REPAIRS. Maintenance and repairs of items that significantly impact habitability of the Premises as determined by Landlord in its sole and absolute discretion or by the Local Laws, shall be deemed "**Major Repairs.**" Landlord shall be responsible for Major Repairs, including repairs to heating or air conditioning systems, roofing, and mechanical, electrical, and plumbing systems.

Landlord may, at Landlord's sole discretion, hire contractors to perform maintenance or repairs at the Premises; however, no contractor shall be considered an employee of Landlord. Resident shall notify Landlord promptly if any contractor fails to perform requested maintenance or repairs. Notification to a contractor of any further maintenance or repair request beyond that communicated to Landlord does not constitute sufficient notice to Landlord, and Resident agrees to make all maintenance and repair requests directly to Landlord in writing.

13.2. RESIDENT'S REPAIR OBLIGATIONS. Resident shall be responsible for immediately providing notice to Landlord of any repairs that it believes should be considered to be Major Repairs and shall be charged and responsible for all damage to the Premises as a result of failure to do so. In the event Landlord determines, in its sole and absolute discretion, that any Major Repair is necessary as a

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result of an act or omission of Resident, Landlord shall have the right to charge Resident for reasonable cost of the Major Repair as additional rent, subject to Local Laws. Resident must physically present on the day of scheduled repair work to grant access to Landlord's vendors. Resident will be charged a trip fee (**"Trip Fee"**) if repair work or service has to be rescheduled due to Resident's failure to be present or grant access or it is determined that the necessary repair was resident caused or a repair that is Resident's responsibility.

Resident, at its sole cost and expense, shall be responsible for the performance of all maintenance and repairs in, around, and of the Premises that do not constitute a Major Repair and are not Landlord's obligation pursuant to Local Laws, including maintaining the Premises in a clean, sanitary condition; routine insect control; replacement of light bulbs; checking and maintaining all smoke and carbon monoxide detectors and replacing batteries as needed; replacement of air filters no less frequently than once every thirty (30) days; maintenance of exterior landscaping as set forth in the Landscaping Addendum or other specific requirements imposed by an applicable HOA; maintenance and repairs of equipment and appliances at the Premises; repair and maintenance of all sewer and sink backups or blockages, unless caused by defective plumbing parts or tree roots invading sewer lines (provided, however, that Landlord shall be responsible for such repair and maintenance of sewer and sink backups and blockages for the first thirty (30) days following the Commencement Date); repair or replacement of any broken glass, regardless of cause; and all repairs or replacements necessitated by Resident or Resident's family, pets or guests, excluding ordinary wear and tear. Any damage to the Premises caused by Resident's pets shall not be considered normal wear and tear.

In addition, Resident, at its sole cost and expense, shall be responsible for installation and maintenance of any items required for the protection of the Premises against extreme weather conditions, storms, and natural disasters. Resident agrees to protect pipes and water fixtures against freezing. If an official hurricane "warning" is issued, Resident also agrees to install hurricane shutters, if shutters are provided by Landlord, and prepare the Premises for a hurricane and to remove such protections when such warning is lifted or expires.

Resident's failure to maintain any item for which Resident is responsible will give Landlord the right to hire a vendor of its choosing to perform such maintenance and charge Resident to cover the cost of such maintenance. Resident's failure to maintain or repair any item for which Resident is responsible will also be deemed a default of the Lease. Landlord will have all remedies available to Landlord pursuant to this Lease and under applicable state law as a result of Resident's failure to cure such default within the timeframe determined by Landlord.

Except as specifically allowed by Local Laws, routine repairs and maintenance that may be necessary at the Premises shall NOT excuse Resident from the timely payment of Rent.

13.3. ALTERATIONS; REPAIRS. Other than as specifically outlined herein, Resident will not make any alterations, or improvements in or about the Premises, including painting, wallpapering, adding or changing locks, installing antenna or satellite dishes, placing signs, displays or exhibits, without the prior written consent of Landlord. Resident also is required to obtain any and all necessary permits required by Local Laws before commencing a Landlord-approved improvement. Any work performed on the Premises whether by Resident or other parties shall be as an independent contractor or agent of Resident and not an employee or agent of Landlord. Resident further warrants that he or she will be accountable for any mishaps and/or accidents resulting from such work and will defend, indemnify, and hold harmless Landlord and Landlord's agents for, from and against all claims, losses and damages including mechanics and other liens. At Landlord's election, all improvements to the Premises shall be the property of Landlord and shall remain attached to and be a part of the Premises when Resident vacates, subject to Local Laws.

14. **MOLD.** Mold consists of naturally occurring microscopic organisms which reproduce by spores. The mold spores spread through the air and the combination of excessive moisture and organic matter allows for mold growth. Reducing moisture and proper housekeeping significantly reduces the chance of mold and mold growth. Resident agrees to maintain the Premises free of dirt, debris and moisture that can harbor mold. Resident shall, at its sole cost and expense, (a) clean any mildew or mold that appears with an appropriate cleaner designed to kill mold; (b) clean and dry any visible moisture on windows, walls and other surfaces, including personal property as quickly as possible; (c) use all air-conditioning, if provided, in a reasonable manner and use heating systems in moderation; (d) keep the Premises properly ventilated by periodically opening windows to allow circulation of fresh air during dry weather only; (e) use reasonable care to close all windows and other openings in the Premises to prevent water from entering the Premises; (f) use exhaust fans, if any, in the bathroom(s) and kitchen while using those facilities and notify Landlord of any inoperative exhaust fans; (g) hang shower curtain inside bathtub when showering and only shower in bathtub; (h) immediately notify Landlord of any water intrusion, including roof or plumbing leaks, drips or "sweating" pipes; (i) immediately notify Landlord of overflows from bathroom, kitchen or laundry facilities; (j) immediately notify Landlord of any significant mold growth on surfaces in the Premises; (k) not leave clothes, towels, laundry, or other items comprised of fabric in wet or damp piles for an extended period of time; and (l) allow Landlord, with appropriate notice, to enter the Premises to make inspections regarding mold and ventilation.

Landlord reserves the right to terminate the tenancy and Resident agrees to vacate the Premises in the event Landlord in its sole judgment feels that either there is mold or mildew present in the Premises which may pose a safety or health hazard to Resident or other persons and/or Resident's actions or inactions are causing a condition which is conducive to mold growth. Resident acknowledges and agrees that Landlord and Landlord's employees, agents, successors, and assignees will not be responsible for damages or losses due to mold growth to the extent resulting from Resident, members of Resident's household or Resident's guests or invitees failure to comply with these requirements.

15. **PEST CONTROL.**

15.1. **PEST CONTROL.** Resident is responsible for keeping the Premises clean and free of all pests and, at its sole cost and expense, shall be responsible for all pest control. Subject to Local Laws, Landlord shall have no responsibility for any damage done to Resident or any other person or property at the Premises as a result of pests or pest control treatment.

Resident must notify Landlord in writing within one (1) week of the Commencement Date of any suspected pest infestation. Within thirty (30) days of such notice, Landlord shall arrange for treatment of the Premises a maximum of two (2) times at no cost to Resident. Resident hereby accepts and assumes all responsibility for all pest control thereafter, subject to Local Laws. Any pests, including insects and rodents, not reported to Landlord in writing within the first week of move-in will be presumed to have entered the Premises after the start of your residency.

15.2. **BEDBUGS.** "Bedbug" is the name given to a parasitic insect that feeds on the blood of warm-blooded animals, including humans. More information is available at the website for the U.S. Centers for Disease Control: www.cdc.gov/nceh/ehs/topics/bedbugs.htm. Landlord has no knowledge of any bedbug infestation or presence in the Premises.

It is unlawful and a material breach of this Lease for Resident to allow any materials that are infested with bedbugs to be brought to the Premises. To reduce the risk of bedbugs, Resident should: (a) avoid used furniture, clothing, bedding (including mattresses) and luggage; (b) completely encase in a zippered cover any used mattress brought to the Premises; (c) carefully inspect and clean any luggage used in traveling or brought to the Premises by guests; and (d) avoid sharing vacuum cleaners with others and regularly empty and/or replace vacuum cleaner bags or canisters.